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Financial Impact of Voluntary Turnover on Small Businesses
A Focus on Management of Human Capital and Organizational Culture

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Financial Impact of Voluntary Turnover on Small Businesses
A Focus on Management of Human Capital and Organizational Culture

by

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Financial Impact of Voluntary Turnover on Small Businesses
A Focus on Management of Human Capital and Organizational Culture

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Talented employees are leaving small businesses in the search for more lucrative opportunities where their talent is acknowledged, valued and able to grow. Dealing with voluntary talent turnover decreases profitability and becomes a roadblock for achieving strategic goals. Businesses incur additional costs to find and replace talent to maintain continuity. However, the time and money spent replacing talent does not guarantee turnover will vanish. *What were the stimuli that caused disengagement? Were they strategically managed? Did employees leave because the initial stimuli were not addressed?* These are all questions that can lead to decisive actions focused on reducing talent departure.

The goal of a small business should be to find a balance where employee values are met and human capital levers are strategically managed; consequently adding value to small businesses by reducing unnecessary costs due to turnover.

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CHAPTER 1
Introduction

This thesis will demonstrate the importance of human capital and organizational culture management in a small business. It will identify the causes that lead to employee dissatisfaction and turnover. Additionally, the study will reveal the position of a small business's current management practices and estimated financial losses due to turnover in a period of 4 years. The analysis is based on information obtained from employee exit surveys and a human resources talent acquisition questionnaire.

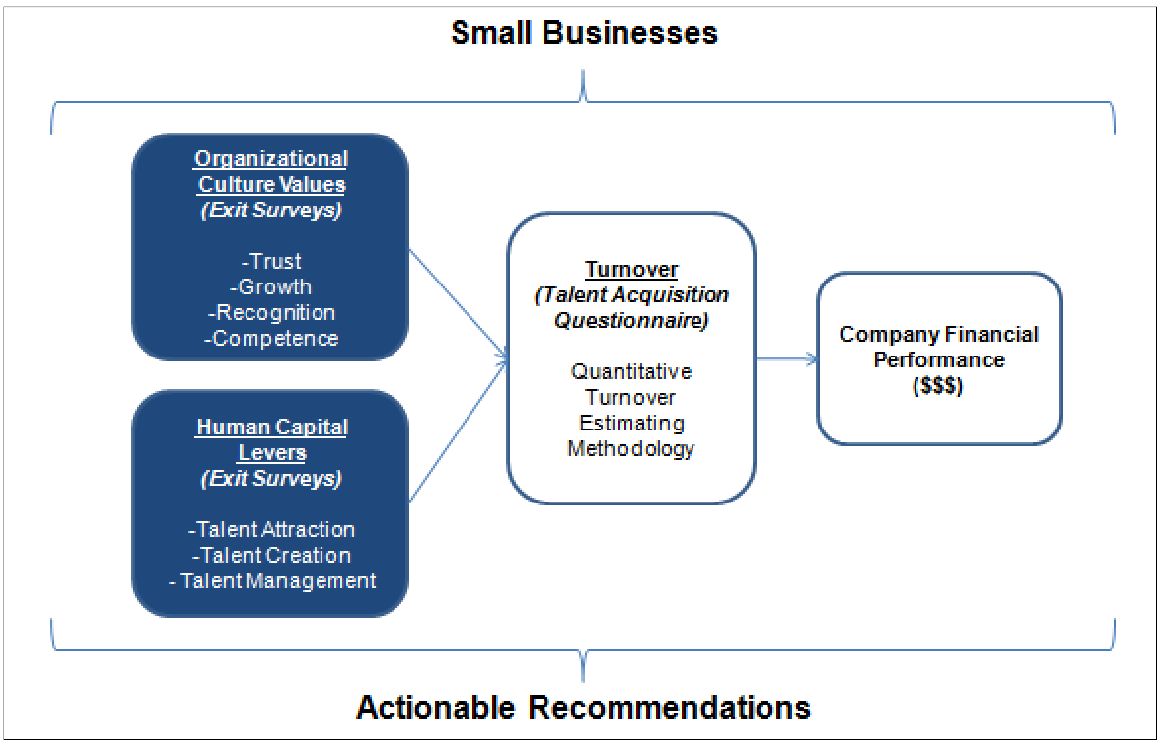

Figure 1: Thesis Framework

Figure 1 depicts the flow of this thesis and the alignment of a small business research with the target impact sought. Specifically, it will explain how management practices of human capital levers and values in an organizational culture can lead to turnover and have an impact on the bottom-line of a small business.

This thesis will be presented in five chapters.

Chapter 1: Introduction

Chapter 1 describes the financial problem or impact small businesses face when presented with voluntary turnover. Additionally, it describes why it is important to focus on small businesses.

Chapter 2: Literature Review

Chapter 2 includes a review of past literature associated with human capital and organizational culture. First, the *Relationship between Organizational Culture and Company Performance* presents an analysis on culture and financial performance of twenty two organizations from ten different industries. Secondly, the *Relationship between Human Capital and Company Performance* identifies human capital as a lever to achieving a company's goal of financial stability and success. And third, the *Relationship between Turnover and Company Performance* identifies the direct and indirect costs associated with turnover that affect the bottom line of every business.

Chapter 3: Study Methodology

Chapter 3 is the study methodology followed to identify the causes and estimate of the effects of mismanagement of human capital levers and culture values in a small business. It presents a case study, EFC. The proposed quantitative turnover estimating methodology is a generalized approach and results may vary due to sensitivity of data and actual company information.

Chapter 4: Results and Discussion

Chapter 4 demonstrates the results of the proposed quantitative methodology to estimate *direct* costs of voluntary turnover. Additionally, it demonstrates qualitative results with quantitative validation of turnover triggers identified from exit surveys. Results are followed by a brief discussion and a few short-term actionable recommendations to target turnover.

Chapter 5: Actionable Recommendations

Chapter 5 presents a modified management approach that targets human capital levers and organizational culture values of a small business. It provides a long-term actionable recommendation that targets the high impact triggers that lead to turnover in one umbrella strategy.

Why this study?

The US Small Business administration (SBA) defines a small and medium business as an entity consisting of less than 500 employees and generating less than 7 million dollars in revenue. They presume revenues in service, construction and retail trade. They represent 99.7% of all employer firms and have generated 64% of net new jobs in the past 15 years and have produced 13 times more patents per employee than large firms. The reason for presenting this case study is to understand how small businesses are impacted financially due to turnover.

Problem

If a small business's goal is to become a multi-million dollar company, what is preventing it from reaching that goal? The problem is that small businesses are susceptible to poor financial performance if they do not have the workforce capabilities required to effectively meet business objectives.

Purpose

The purpose of this study is to understand how management of human capital and organizational culture lead to turnover impacting company performance. Human capital and organizational culture will be analyzed through a qualitative study with quantitative validation performed by applying employee exit surveys. The cost of turnover will be analyzed through a quantitative study of data captured from a talent acquisition questionnaire and a proposed turnover estimating methodology. Finally, actionable recommendations will suggest improvements within the results of these studies that will help maximize company financial performance.

The small business being analyzed is a firm in the technology sector. It will be referred to as EFC. EFC is a small business in the telecommunications market with fewer than 200 employees. It is a very specialized section of the market which requires job exposure to obtain experience and increased employee effectiveness. Specifically, this study will demonstrate quantitatively what happens when core employees leave the organization. Adaptation or "rapid on-boarding" time and supplementary investments in new-hires will be reflected by unit costs per position and multiplied per actual turnover figures.

CHAPTER 2
Literature Review

Past studies have focused on the relationship between organizational culture and company performance, human capital and company performance, and employee turnover and company performance. The three studies included in this review relate to overall company financial performance individually, but they do not address how all these factors conjunctively have an effect on financial performance. This thesis will demonstrate how the management of these three factors jointly impact company performance.

RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE AND COMPANY PERFORMANCE

A study by Kotter and Hessket (Kotter & Heskett, 1992) demonstrates the relationship between organizational culture and company performance. A few facts about culture can help clarify their conclusions. A strong organizational culture is one that emphasizes employee satisfaction and engagement in order to achieve increased workforce performance.

> *"The most frequently cited reason given for failure was a neglect of the organization's culture."* (Cameron & Quinn, 2006)

The link between culture and company performance is directly related to how it is created and perpetuated. A company with a strong organizational culture empowers employee development and growth which build and enhance the organization's competencies. Employees, in turn, are rewarded by developing their skill sets and being provided new opportunities for advancement and promotions. Due to an increase in financial performance, the company has the flexibility to implement monetary rewards;

incentivizing employees. This cycle keeps employees engaged and ultimately creates a proven path to long-term financial performance.

> *"A strong organizational culture has almost always been the driving force behind continuing success in American business."* (Deal & Kennedy, 2000)

A strong culture can be created in many different ways. According to Deal and Kennedy (Deal & Kennedy, 2000) an employee-oriented culture is one that advocates values and rituals. Values emphasize established standards shared by a workforce. Rituals emphasize everyday routines and behavior expected of the employees and management, mutually. Combining Brahnam's, and Deal's and Kennedy's theories, values are considered shared fundamental needs of employees; *trust, growth, recognition* and *competency*. Rituals are routines that reflect how these needs are being met. Addressing values as part of everyday rituals acts as a motivational "pull" that create a strong culture. Finally, a strong culture that focuses on employees as the most important assets and permeates it in the business its practices throughout its life-cycle enhances high performance.

> *"Employees begin to disengage and think about leaving when one or more of four fundamental human needs are not being met."* (Branham, The 7 Hidden Reasons Employees Leave, 2005)

Kotter and Hesskett (Kotter & Heskett, 1992) developed and studied a theory which hypothesized that a business's cultural practices may be responsible for organizational financial position. They named this theory "Theory II". To prove their hypothesis, they performed a study on a group of 22 organizations from ten different industries and all with relatively strong cultures. The results of the study did not lead to finding bad performers; it did, however, identify high and low performers. High performers were those who averaged three-fold net income increase compared to their lower performing counterparts. Also, high performers stocks appreciated between 400% and 500% while low performers stocks appreciated 100%.

The study was conducted by utilizing public information and approaching interviewees who religiously followed those firms. Their results demonstrated that for the 10 lowest performers culture had hurt performance. For the 12 higher performers culture had not hurt performance. The results of the high performer studies demonstrated an average increase in performance of 18% per year in an 11 year period, and market values increased at a rate of 20%.

Throughout the study, Kotter and Hesskett emphasize employee-oriented cultures. The results of this study were quantified and presented to senior managers at 13 out of 22 firms. Interview results emphasized culture and how the lower performers had cultures sometime prior that deteriorated over time. “Theory II” does not provide proven recommendations on how to change the lower performers’ culture to a high performing culture.

RELATIONSHIP BETWEEN HUMAN CAPITAL AND COMPANY PERFORMANCE

Human capital is a term used for employees in a workforce and the skill sets, knowledge and experience that contribute capabilities to achieve the business’s financial performance goals. Human capital levers are elements in a process that focus on attracting, developing and motivating employees; they include talent acquisition, creation and management. Lewis’s theory on Human Capital Management emphasizes how human capital is needed in order to operate a business; therefore, all actions must be directed towards lever management to motivate employees to stay and achieve higher financial performance.

Lewis (Lewis K. , Managing People and Organizations, 2009) proposes the *Human Capital Framework* as a tool to evaluate how an organization’s practices are aligned to their strategy. Figure 2 presents this framework and displays the relationship between human capital levers, organizational capabilities and strategic goals. Levers include the human capital practices of talent acquisition, talent creation and talent management. Capabilities define the organization's know-how to achieve its strategic goals. Strategic goals may differ from business to business but they all share a common trait; financial success. Lewis describes the framework as follows: *"levers define actions and practices that provide the organization the capabilities to achieve its strategic goals"*.

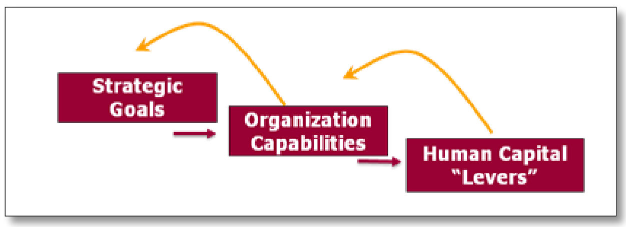

Figure 2: Human Capital Framework (Lewis K. , Managing People and Organizations, 2009)

The following sections describe the importance of human capital levers and their influence on organizational capabilities and strategic goals.

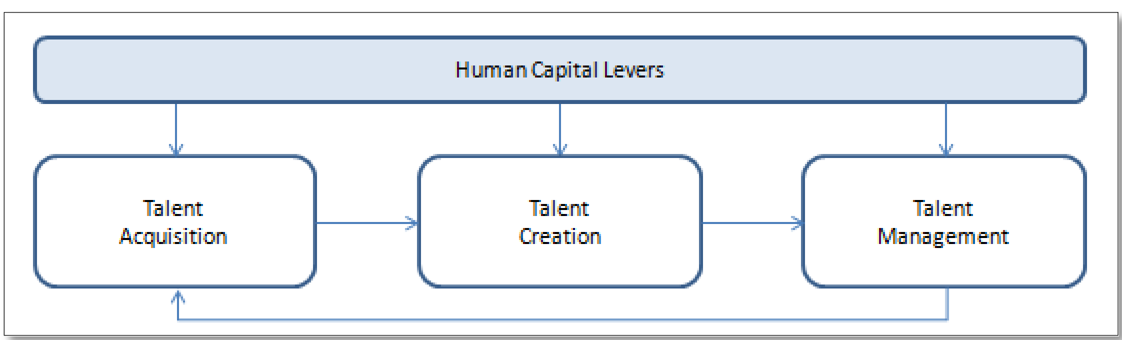

Figure 3: Levers That Create Strategic Knowledge (Lewis K. , Managing People and Organizations, 2009)

Talent Acquisition Lever

Talent acquisition is the cycle that focuses on finding and recruiting the right people. It includes searching for, screening and evaluating candidates' with the right attitudes, skills and capabilities to perform. It also includes evaluation for employee-job fit in the areas of culture and job responsibilities. Talent acquisition plays a critical role to building a strong culture. As suggested by Lewis (Lewis K. , Managing People and Organizations, 2009) in Figure 3, talent acquisition is a human capital lever that generates strategic capabilities for a business.

The talent acquisition process requires a high investment of time and resources and its ineffectiveness can lead to increased human capital acquisition costs and impede achieving organizational goals. A proven methodology and standard hiring practice increases employee-job matching consequently reducing voluntary turnover and repeated acquisition costs. New-hire voluntary departure leads to the repetition of the talent acquisition process. The next lever in the human capital model is talent creation which promotes employee advancement, develops firm specific skills and creates the capabilities needed to achieve strategic goals.

Talent Creation Lever

Talent creation encompasses the efforts taken by an organization to impart knowledge and develop skills in employees in order to enhance company capabilities. It is a sustained process that requires long term efforts and significant investment to reach value-added company performance. Performance metrics are quantifiable requirements an employee must attain in order to become promotable. Within each position, it is critical to identify the stage at which each employee is appraised. Identifying their proficiencies determines what they lack in their work and how they can improve their firm-specific skills. Performance metrics provide a measurable roadmap for talent creation. There are different methods to create and develop talent using performance metrics. Some include performance appraisals and goal setting, career planning and coaching.

Performance appraisals and goal setting are management tools that seek to provide clear and measurable objectives for employees. These tools, in conjunction with short and reasonable timeframes, provide employees with a timeline to achieving their goals. The outcome of performance appraisals is career planning for employees based on skills and needs. Career planning involves creating individual development plans stating necessary professional training and coaching needs. This process requires management's involvement for direction, approval of learning objectives and associated costs. Other supplementary training methods exist that provide the business with more cost effective solutions. Some cost effective methods include manuals created by the senior firm employees, group sessions and internal coaching. The results of performance appraisals and goal setting are based on employees' weak-scaled metrics that require enhancing in order to fully perform in their positions. This leads to an accurate career plan that focuses on filling in the gaps. Company performance is increased when employees are fully vested in their positions by reflecting reduced deliverable turn-around and increased quality.

Talent Management Lever

Talent management is the process of effectively acquiring, creating and maintaining an engaged workforce that produces high performance. It is an investment strategy focusing on keeping the best within the workforce to achieve company-wide goals. First, maximizing talent utilization is a critical factor in achieving employee engagement. Employees feel engaged when their skills are being used and grown to their greatest potential. Second, this process focuses on effectively directing talent and allocating it in concert with the organization's strategic goals. Rothwell suggests (Rothwell, 2009) "*talent management is an investment strategy that yields to higher* *returns; therefore, giving the business an incentive to invest more in employees and in return increase productive performance in a workforce".*

Branham portrays talent management as a four step process as shown in Figure 4; attract, select, engage and keep engaged. Some attraction measurements include ratio of applicants, amount of A-type candidates, average time to fill vacancies, new hire referrals and average monthly open positions. Talent attraction is a variable that distinguishes companies and reflects employers-of-choice. Talent selection measurements include voluntary and involuntary turnover rate, absenteeism rate and employee engagement levels. Employee engagement is a measurable factor that reflects employee perception of the organization and directly affects company performance. Engagement levels are measured through employee satisfaction surveys. Engagement measures variables such as satisfaction, performance, commitment and intent to remain with the company. Sustaining engagement are the actions taken by senior management to address issues that emerge from survey responses. Sustaining engagement focuses on tracking results through time. The objective of this process is to strategically give back to employees *(sustain engagement)* while maximizing company performance *(achieve strategic goals)*. Sustained engagement measurements include voluntary turnover rate, top performer turnover rate, quality end results, absenteeism and other employee growth factors.

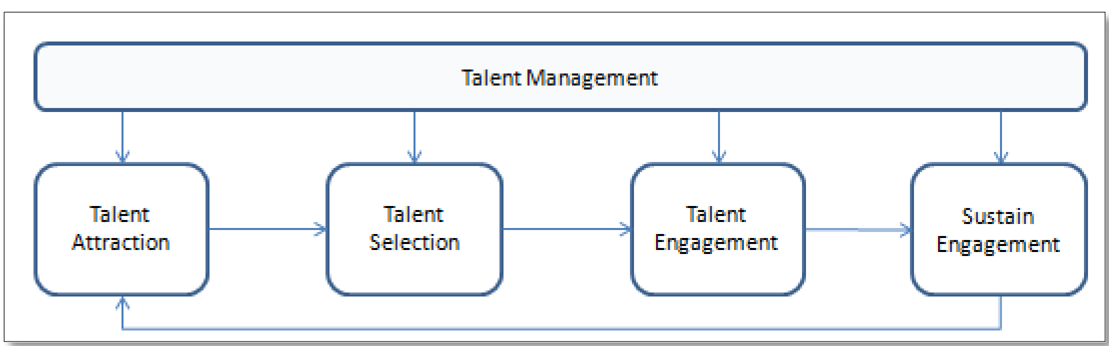

Figure 4: The Cycle of Talent Management by Branham (Branham, The 7 Hidden Reasons Employees Leave, 2005)

Overall, the talent management process starts at talent attraction and ends at separation. It is an iterative process throughout the employees' lifetime with the organization. If implemented correctly, it cultivates a strong culture of support, enrichment and appreciation for talent by addressing the four fundamental needs. Failure to address employee needs through talent management practices can result in disengagement and turnover. Loss of key personnel and their core knowledge base, skill set and experience diminish an organization's capabilities, increases replacement costs and substantially affect a company's financial performance.

RELATIONSHIP BETWEEN TURNOVER AND COMPANY PERFORMANCE

Turnover represents the total amount of departed employees divided by the total workforce in a specific period of time. When talent departure occurs a company loses their skill sets and expertise required to meet business objectives; therefore it directly impacting company performance.

Turnover is easy to track in an organization; however, the costs incurred to replace top performers cannot easily be calculated. Branham states that *"the estimates of turnover vary from 25% to almost 200% of the annual employee compensation"* (Branham, Keeping the people who keep you in business, 2000). These estimates vary due to several different factors. They are dependent on what an organization defines as turnover costs. Turnover costs could include job advertising, selection costs, learning curve of the new employees, disruption of existing employee productivity and customer service, etc. Branham identified two types of costs that affect a business's bottom line due to turnover; direct and indirect turnover costs.

Direct turnover costs are linked to the human capital levers; specifically talent acquisition and creation. Costs are accrued from the time the employee leaves the organization and until a replacement is found, trained and transitioned into the vacant role. Some direct costs during the talent acquisition process identified by Branham are listed below.

- Job Advertising
- Internal Referral Compensation
- Applicant Expenses (i.e. Travel, lodging, etc)
- Relocation Expenses (if included in the compensation package)
- Selection Testing (i.e. Interviews, work samples, etc.)
- Medical Examinations and Drug Screening
- Background Check (if applicable to job position)
- Recruiter Expenses
- [talent creation] New-hire adaptability period

Indirect costs are more difficult to estimate. They are intangible factors that don't directly appear on a balance sheet; however, they do carry significant costs. Some indirect costs identified by Branham are listed below.

- Staff absenteeism
- Morale degradation of remaining workforce (i.e. Decreased productivity)
- Staff Salary (i.e. Overtime of existing employee to provide job continuity)
- Management Time (i.e. Time spent processing paperwork)
- Direct Supervisor's Time (i.e. Direct Supervisors time to help provide job continuity and introductory time spent with new employee)
- Orientation Time (i.e. Time spent by the new employee to get acquainted with the organization, colleagues and job requirements)
- Training Time and Resources (i.e. Time spent during training activities required to perform and internal or external resources who provide the training)
- Lost Opportunity Cost, Estimated (i.e. Lost projects due to lack of expertise and resources by the organization)

- Learning Curve Productivity Loss, Estimated (i.e. Ratio of time it takes for the new employee to perform a task in relation to the time it took the experienced employee to perform the task – Hrs of New Employee: Hrs of Departed Employee)
- Customer Service Disruption/Defections, Estimated (i.e. Rework needed in order to achieve high quality results, business turned down due to lack of resources)

Turnover is inevitable and there are insights to be gained to prevent talent departure. It results in direct and indirect costs that impact the bottom line of an organization. Effective management of talent departure leads to increased workforce productivity and decreased employee replacement costs.

CHAPTER 3
Study Methodology

This thesis synthesizes captured responses from a talent acquisition questionnaire presented to the human resources manager at EFC. Responses were analyzed and entered into a proposed quantitative turnover estimating methodology to determine an estimate of the direct costs of voluntary turnover. Furthermore, data from exit surveys was analyzed and trailed to actionable short-term and long-term recommendations for small businesses to prevent voluntary turnover.

TALENT ACQUISITION QUESTIONNAIRE

Quantitative Study

Talent acquisition is an important factor in an employee-oriented culture. However, not every employee in the organization is aware of the practices used to undertake this task. For this reason, a talent acquisition questionnaire was presented to the human resource manager at EFC.

The talent acquisition questionnaire is directed towards efforts taken to recruit and acquire talent at EFC. The main focus of this questionnaire is to estimate direct costs associated with talent acquisition of 3 main position levels at EFC including executive, professional and clerical. For this study, executive positions include General and Operations Manager, Sales Manager, Human Resources Manager, Construction Manager, Engineering Manager and Managers (All Other); professional positions include Civil Engineers, Electrical Engineers, Engineers (All Other), Drafters (All Other), Telecommunications Equipment Installers and Repairers, and Sales Representatives; and clerical positions include Secretaries and Administrative Assistants, and Accountants.

The first question asked pertained to job advertising. Job advertising is a direct cost associated with talent attraction. It includes actions taken by an organization to make a vacant position public to candidates such as TV commercials, newspaper postings, on-line or website postings (Monster, Career Builder, etc.) and similar publicity media.

1) On average how much is spent for job advertising at EFC for the different position levels (Executive, Professional and Clerical)?

The second question asked pertained to motivational incentives offered to existing employees to refer acquaintances to an open position at the organization. Offering existing employees with referral incentives leads to a greater effort from employees to fill a position. An upside of having an employee referral program is that “talent attracts talent”; therefore, performance, loyalty and trustworthiness can be assumed given the source of the recommendation.

2) Is there an internal employee referral program in the organization; and if so, what is offered to employees who use this program?

The third question asked pertained to costs associated with applicant interviewing. Job advertising is not concentrated in a specific geographical zone, opening the possibility for applicants that are located in other areas to apply for a position in other states. Also, through networking or personal travel, existing employees widen their network. Through publicity or referral, an organization incurs the cost of travel expenses for applicants.

3) On average how much is spent for a potential candidate to travel to the interview location?

The fourth question asked pertained to relocation expenses for promising applicants. As the third question states, applicants are not limited to those in the same geographical area and if the talent fits with the position and job description, the organization can offer relocation expenses to attract that talent. Some organizations offer relocation packages for individual positions and others offer a similar relocation package evenly.

4) Is there a relocation package offered to potential candidates? And if so, how much of the expenses are covered with the package by position level (Executive, Professional and Clerical)?

The fifth question asked pertained to selection testing. Employee testing can include time spent by human resources manager, hiring manager and potential co-workers. Implementing serial interviews determines if the candidates fit with the position requirements and the culture. This question is measured by average time spent by human resources to determine if the potential candidate fits with the organizational culture.

5) On average how much time is spent by human resources during the interviewing process in the three position levels to make a determination if the applicant is the right fit for the organization?

The sixth question asked pertained to examinations and screening procedures of potential candidates. The purpose of these examinations varies given the sensitivity of the job position and the culture. Typical examinations include medical and drug screening.

6) Are medical examinations required for the three position levels offered by this company? And if so, specify and note the average costs associated with each position level.

The seventh question asked pertained to additional examination procedures, such as background checks. The implementation of these procedures can be required by the State, Local or Federal government when being assigned to a project which is exposed to sensitive and confidential information. In this case, EFC is actively involved government projects.

7) As an EFC employee regardless of the position level for which a candidate is applying, is a criminal background check required? And if so, what are the average rates for these examinations given the different position levels in the company?

The eighth and last question in this questionnaire pertained to additional recruitment expenses incurred by the organization.

8) Are there additional recruitment expenses incurred by EFC (other than the identified above)? And if so, what are these additional expenses? And on average, how much is incurred by the company for the identified expenses?

To determine an accurate estimate of direct turnover costs at EFC, workforce information will be provided for a period of 4 years. Estimates will be presented using publicly accessible employee salaries. Benefits include costs incurred by the organization such as yearly workers compensation insurance rates, yearly health insurance rates and sick days provided to employees. For the purpose of these estimates it is assumed that benefit compensation such as worker's and health insurance is null. Benefits per position vary greatly and are known by human resources; however, this information was not made available during this study. Direct cost estimates of voluntary turnover will be presented and summed to provide a representation of the impact on EFC's bottom line from 2008 through 2011.

But what is the meaning of the costs associated with turnover? They are a realistic visualization of the impact due to talent replacement. Additionally, they are predictors of a company's financial standing in the long term if turnover is not handled soon after it begins. To handle the situation in a strategic manner, a company can use existing resources to determine the underlying reasons why employees are leaving. Techniques and tools such as employee satisfaction surveys and exit surveys are a good indicator of the triggers that lead to turnover. Different surveys targeting this objective can be found using different sources (i.e. management books, leadership workshops, online, etc.) and modified as management considers fit depending on the size and expertise of the company. Employees at EFC were presented with the following exit survey. The exit survey was obtained verbatim from an online source. (Niznik)

EMPLOYEE EXIT SURVEY

Qualitative Study with Quantitative Validation

The employee exit survey focused on career progression, immediate and senior management, benefits offered and current workplace conditions. In essence, the exit survey addressed the topics of human capital levers and organizational culture values. The survey questions were the following:

1) What is your primary reason for leaving?
2) Did anything trigger your decision to leave?
3) What was the most satisfying about your job?
4) What was the least satisfying about your job?
5) What would you change about your job to increase employee satisfaction?
6) Did you receive sufficient feedback about your performance between merit reviews?
7) Where you satisfied with the company's merit review process?
8) Did the company help you fulfill your professional career goals?
9) What would you improve to make our workplace better?
10) Were you happy with your salary, benefits and other incentives?
11) What was the quality of supervision you received?
12) What could your immediate supervisor do to improve his or her management style?

13) Based on your experience with us, what do you think it takes to succeed at this company?
14) Would you consider working for this company again in the future?
15) Would you recommend working for this company to your family and friends?
16) What does your new company offer that this company does not?
17) Can this company do anything to encourage you to stay?
18) Before deciding to leave, did you investigate a transfer within the company?

The format of this survey was selected with the intention of receiving honest feedback and testimonials from departing employees. Openly expressed responses can help the organization determine which issues to correct by following the proposed methodology. The *Results and Discussion* section provides further details and short-term actionable recommendations based on the highest impact responses in order to create or adapt a culture that fosters engagement.

CHAPTER 4
Results and Discussion

TALENT ACQUISITION QUESTIONNAIRE RESULTS

Branham identified some turnover costs including direct and indirect costs incurred by an organization during the talent acquisition process. In this thesis, we highlight that talent attraction and acquisition requires a significant amount of time and effort from a company to identify the right candidate for the job; therefore, this study focuses on estimating the direct costs for talent acquisition at EFC. Estimating the indirect costs incurred by a business due to turnover varies greatly, making it very unique and difficult to estimate. Table 8 lists the direct costs associated with talent acquisition. Each direct cost is assigned a variable for estimating purposes. Results for the talent acquisition questionnaire are listed in the tables below.

1) On average, how much is spent for job advertising?

Position	Duration	Average Costs
Professional and Clerical	1 month	$350.00
Executive	2 months	$700.00
Other	3 months	$1,050.00

Table 1: Job Advertising per Position Level

2) Is an employee referral compensation package offered to employees in the organization? And if so, what is offered to employees if the referred applicant is selected and hired?

Position	Average Costs
Clerical	$500.00
Professional	$500.00
Executive	$500.00
Other	$500.00

Table 2: Internal Referral Compensation per Position Level

3) On average, how much is spent on applicant expenses?

Position	Average Costs
Clerical	$100.00
Professional	$100.00
Executive	$100.00
Other	$100.00

Table 3: Applicant Expenses per Position Level

4) On average, how much is offered for relocation expenses?

Position	Average Costs
Clerical	$0.00
Professional	$2,000.00
Executive	$5,000.00
Other	$5,000.00

Table 4: Relocation Expenses per Position Level

5) On average, how much time is spent of HR during the interviewing process?

Position	Average Duration
Clerical	40 hours
Professional	50 hours
Executive	80 hours
Other	60 hours

Table 5: Time Spent by HR during the Interview Process per Position Level

6) Are medical examinations required by EFC? And if so, specify and note the average costs associated with each examination.

Medical examinations are not required for any position in the organization.

7) Is a background check required for applicants? And if so, please specify the average cost associated with the application process.

Background check is required for all positions in the organization due to the sensitive content of practicing operations. A basic background check is performed for clerical positions and an advanced background check is performed for every other position in the organization.

Position	Average Costs
Clerical	$45.00
Professional	$60.00
Executive	$60.00
Other	$60.00

Table 6: Background Investigations on Potential Candidates per Position Level

8) Are there additional recruitment expenses incurred? And if so, please specify and note the average time and/or costs associated with the recruitment process.

Additional time is spent by hiring managers during the interview process. Approximately an additional 3 hours is spent by hiring managers per candidate.

After identifying the direct costs associated with talent acquisition at EFC through the applied questionnaire, salaries were still undetermined. To determine salary information and estimate associated direct turnover costs, local salaries for Austin-Round Rock-San Marcos, TX were obtained from the National Compensation Survey published on May 2010 by the U.S. Department of Labor and the U.S. Bureau of Labor Statistics (Bureau of Labor Statistics, 2010). Salaries per positions are listed in the table below.

Specifically, the following areas of expertise were searched based on EFC's market sector and expertise.

Occupation Code	Occupation Title	Wage Estimates			
		Median Hourly	Mean Hourly	Mean Annual	Mean RSE
Management Occupations					
11-1011	Chief Executives		$84.96	$176,710.00	3.20%
11-1021	General and Operations Manager	$45.80	$55.08	$114,560.00	1.90%
11-2022	Sales Managers	$56.03	$62.05	$129,050.00	3.10%
11-3121	Human Resource Managers	$50.82	$59.55	$123,870.00	6.50%
11-9021	Construction Managers	$32.81	$35.66	$74,170.00	2.80%
11-9041	Engineering Managers	$59.06	$64.34	$133,830.00	3.80%
11-9199	Managers (All Others)	$51.81	$58.08	$120,810.00	8.10%
Business and Financial Operations Occupations					
13-2021	Accountants and Auditors	$28.64	$33.15	$68,950.00	2.80%
Architecture and Engineering Occupations					
17-2051	Civil Engineers	$36.14	$40.72	$84,700.00	4.10%
17-2071	Electrical Engineers	$44.10	$46.25	$96,190.00	5.10%
17-2199	Engineers (All Others)	$34.66	$39.08	$81,280.00	7.30%
17-3012	Drafters (All Others)	$17.15	$19.87	$41,340.00	11.10%
17-3021	Electrical and Electronics Engineering Technicians	$23.44	$25.00	$52,010.00	2.50%
Office and Administrative Support Occupations					
43-6014	Secretaries and Administrative Assistants	$14.80	$15.07	$31,340.00	1.20%
Construction					
47-2061	Construction Laborers	$14.48	$15.09	$31,380.00	3.30%
Sales and Related Occupations					
41-4011	Sales Representatives; Wholesale and Manufacturing, Technical and Scientific Products	$24.60	$33.15	$68.950.00	3.30%
Installation, Maintenance, and Repair Occupations					
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	$24.34	$23.55	$48,980.00	6.00%

Table 7: Average Annual Salaries per Position in Austin, TX (Bureau of Labor Statistics, 2010)

The U.S. Bureau of Labor Statistics defines annual wages as a calculation of hourly mean wage by “year-round, full-time” hours figure of 2,080 hours. Earnings include incentive pay, cost of living adjustments and hazard pays. They exclude premium pay for overtime, vacations, holidays, nonproduction bonuses and tips. BLS measures the reliability of the figures by Relative Standard Error (RSE); the smaller the RSE, the more precise the salary estimate.

Direct costs were calculated using the responses from the talent acquisition questionnaire and the salaries obtained from BLS shown above. Information was then placed in a series of proposed estimating equations. Ultimately, the sum of all represents the total estimated direct cost of turnover per position. The following table identifies the variables in the equations for reference.

Variable	Description
a	Duration of Job Advertisement (i.e. daily, weekly, monthly or yearly)
b	Internal Referral Compensation
h	Candidate Expenses
d	Relocation Expenses
e	Background Check Expenses
f	Interviews by Management employee
g	Interviews by Human Resources Manager
x	Number of position candidates
i	Number of interviewees

Table 8: Direct Costs Associated with Turnover

The duration of job advertisement is measured as daily, weekly, monthly or yearly. It is a time variable. Internal referral compensation is measured as a monetary quantity. It is a cost variable associated with providing an additional payment to an existing employee if the candidate recommended is hired for a position. Candidate expenses are measured as a monetary quantity. They include any direct costs associated with providing transportation, lodging and meals for candidates traveling for an interview. Relocation expenses are measured as a monetary quantity. They include any costs associated with providing a monetary compensation to the new-hire to relocate to the place of employment. Background check expenses are measured as a monetary quantity. They include research for historical information required prior to finalizing employment decisions for new-hires. The number of interviews by hiring managers represents a numerical variable without units. The number of interviews by human resources manager represents a numerical variable without units. The number of position candidates represents a numerical variable without units. Note that the term ‘candidates’ is not the same as applicants. Candidates are every person who is deemed qualified and is being considered for a position available after application. Number of interviewees represents a numerical value without units. Interviewees are those considered to attend the place of employment or any other location for the purpose of company assessment for a position.

Direct costs are calculated by first identifying the cost of interviews by the human resources manager; secondly, the costs of interviews by the hiring manager. The hiring manager for each vacant position varies. Hiring managers for each position are listed in the table below. Salaries for hiring managers are shown in Table 7. Benefits include costs of premium-pay for overtime, vacation, holidays, and non-production bonuses. For the purpose of this study, benefits will be excluded from the calculations.

Occupation Code	Occupation Title	Hiring Manager
Management Occupations		
11-1011	Chief Executives	-
11-1021	General and Operations Manager	Chief Executives
11-2022	Sales Managers	Chief Executives
11-3121	Human Resource Managers	Chief Executives
11-9021	Construction Managers	Chief Executives
11-9041	Engineering Managers	Chief Executives
11-9199	Managers, All Other	Chief Executives
Business and Financial Operations Occupations		
13-2021	Accountants and Auditors	General and Operations Manager
Architecture and Engineering Occupations		
17-2051	Civil Engineers	Engineering Managers
17-2071	Electrical Engineers	Engineering Managers
17-2199	Engineers, All Others	Engineering Managers
17-3012	Drafters, All Other	Managers, All Other
17-3021	Electrical and Electronics Engineering Technicians	Engineering Managers
Sales and Related Occupations		
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	Sales Managers
Office and Administrative Support Occupations		
43-6014	Secretaries and Administrative Assistants	General and Operations Manager
Construction		
47-2061	Construction Laborers	Managers, All Other
Installation, Maintenance, and Repair Occupations		
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	Managers, All Other

Table 9: Occupation Titles and Hiring Managers

$$g_{FT}(i,x) = \sum_{n=1}^{n=i} \left(\frac{salary + benefits}{2080}\right) \times t_{interview}\, i + \sum_{n=1}^{n=x} \left(\frac{salary + benefits}{2080}\right) \times t_x x$$

Equation 1: Estimated Cost of Interviews by Full-Time HR Manager

$$g_{PT}(i,x) = \sum_{n=1}^{n=i} \left(\frac{salary + benefits}{1040}\right) \times t_{interview} i + \sum_{n=1}^{n=x} \left(\frac{salary + benefits}{1040}\right) \times t_x x$$

Equation 2: Estimated Cost of Interviews by Part-Time HR Manager

For Equation 1 through Equation 4, if the time allotted per interview ($t_{interview}$) varies per interviewee (*i*), *i=1*, then sum. If the same time is allotted per interviewee, then *i* equals the number of interviewees. The same logic applies to candidate values. If the time spent per candidate evaluation (t_x) varies per candidate, *x*=1, then sum. If the same time is spent per candidates, then *x* equals the number of candidates.

Equation 1 assumes the human resources manager is exempt and a full-time employee. Equation 2 assumes the human resource manager is a part-time employee. Salary and benefits are represented on a per-year basis. The time allocated per interview units are hours. The human resources manager cost calculation also includes an additional cost for time spent during the recruiting process; this is the evaluation of candidates *(x)* for a position. Therefore $g_{FT}(i,x)$ represents the cost of the human resources manager for amount of hours spent with the total amount of interviewees (units: hourly cost per interviewee(s)) in addition to hours spent evaluating the total amount of candidates (units: hourly cost per candidate(s)).

$$f_{FT}(i) = \sum_{n=1}^{n=i} \left(\frac{salary + benefits}{2080}\right) \times t_{interview} i$$

Equation 3: Estimated Cost of Interviews by Full-Time Management

$$f_{FT}(i) = \sum_{n=1}^{n=i} \left(\frac{salary + benefits}{1040}\right) \times t_{interview} i$$

Equation 4: Estimated Cost of Interviews by Part-Time Management

Equation 3 and Equation 4 represent the estimated cost of interviews by the hiring manager. Equation 3 represents the estimated cost of interviews by the hiring manager assuming he or she is exempt and a full-time employee. Following the same process for converting Equation 1 (full-time) to Equation 2 (part-time), Equation 4 represents the estimated cost of interviews by the part-time hiring managers.

Estimated Direct Cost of Turnover

EFC employs a "*year-round, full-time*" human resources manager who is responsible for searching and gathering information on potential candidates for vacant positions. As part of the recruitment process, the following assumptions were made:

- A minimum of 5 potential candidates per position are evaluated.
- Candidates scheduled for interviews have a 3:5 ratio.
- Selection is made based on qualifications and experience required for the vacant position.

The following estimates show the results of information collected from the *Talent Acquisition Questionnaire* and average industry salaries in Austin, Texas as shown in Table 7.

The first step to estimating the direct cost of turnover is to first identify the time spent by the human resources manager to select candidates skills and aptitudes that match the job responsibilities. The following table shows the values to input in Equation 1. It assumes an average yearly salary of $123,870.00 for the human resources manager.

Value	Units/Variable	Description
40	Hours	Average time of interview for Clerical positions
50	Hours	Average time of interview for Professional positions
80	Hours	Average time of interview for Executive positions
60	Hours	Average time of interview for Other positions
3	Hours	t_x Evaluation time per candidate x
3	i	Number of interviewees prior to making a hiring decision
5	x	Evaluated candidates prior to selecting i interviewees

Table 10: Equation 1 Estimate Values

Using Equation 1, the results in the following table represent the estimated cost of interviews performed by the human resources manager plus the evaluation of candidates per position and unit vacant positions in the organization.

Occupation Code	Occupation Title	HR Manager Mean Hourly Salary	t_i	i	t_x	x	$g_{FT}(3,5)$
Management Occupations							
11-1011	Chief Executives	$59.55					
11-1021	General and Operations Manager	$59.55	3	3	80	5	$24,355.95
11-2022	Sales Managers	$59.55	3	3	80	5	$24,355.95
11-3121	Human Resource Managers	$59.55	3	3	80	5	$24,355.95
11-9021	Construction Managers	$59.55	3	3	80	5	$24,355.95
11-9041	Engineering Managers	$59.55	3	3	80	5	$24,355.95
11-9199	Managers, All Other	$59.55	3	3	80	5	$24,355.95
Business and Financial Operations Occupations							
13-2021	Accountants and Auditors	$59.55	3	3	40	5	$12,445.95
Architecture and Engineering Occupations							
17-2051	Civil Engineers	$59.55	3	3	60	5	$18,400.95
17-2071	Electrical Engineers	$59.55	3	3	60	5	$18,400.95
17-2199	Engineers, All Others	$59.55	3	3	60	5	$18,400.95
17-3012	Drafters, All Other	$59.55	3	3	60	5	$18,400.95
17-3021	Electrical and Electronics Engineering Technicians	$59.55	3	3	60	5	$18,400.95
Sales and Related Occupations							
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	$59.55	3	3	60	5	$18,400.95
Office and Administrative Support Occupations							
43-6014	Secretaries and Administrative Assistants	$59.55	3	3	40	5	$12,445.95
Construction							
47-2061	Construction Laborers	$59.55	3	3	60	5	$18,400.95
Installation, Maintenance, and Repair Occupations							
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	$59.55	3	3	60	5	$18,400.95

Table 11: $g_{FT}(3,5)$ Results per Position (unit vacant positions)

The second step is to estimate the cost associated with efforts by the hiring managers in the recruitment process. Every position is assigned an immediate supervisor or hiring manager. Table 9 lists each position and hiring manager per EFC's organizational structure.

The following table shows the values used in Equation 3. It assumes an average annual salary $114,560.00 for the General and Operations Manager, $133,830.00 for Engineering Mangers, $129,050.00 for Sales Managers and $120,810.00 for Managers (All Others).

Value	Units/Variable	Description
3	Hours	Average time of interview for Administrative, Engineering, Leadership and Other positions
3	i	Number of interviewees prior to making a hiring decision

Table 12: Equation 3 Estimate Values

Using Equation 3, the following results represent the estimated cost of interviews performed by hiring managers prior to making a hiring decision per unit vacant positions. It assumes an average time of 3 hours per interview and 3 interviewees prior to making a hiring decision.

Occupation Code	Occupation Title	Hiring Manager	Hiring Manager Mean Hourly Salary	$f_{FT}(3)$
		Management Occupations		
11-1011	Chief Executives			
11-1021	General and Operations Manager	Chief Executives	$84.96	$764.64
11-2022	Sales Managers	Chief Executives	$84.96	$764.64
11-3121	Human Resource Managers	Chief Executives	$84.96	$764.64
11-9021	Construction Managers	Chief Executives	$84.96	$764.64
11-9041	Engineering Managers	Chief Executives	$84.96	$764.64
11-9199	Managers, All Other	Chief Executives	$84.96	$764.64
		Business and Financial Operations Occupations		
13-2021	Accountants and Auditors	General and Operations Manager	$55.08	$495.72
		Architecture and Engineering Occupations		
17-2051	Civil Engineers	Engineering Managers	$64.34	$579.06
17-2071	Electrical Engineers	Engineering Managers	$64.34	$579.06
17-2199	Engineers, All Others	Engineering Managers	$64.34	$579.06
17-3012	Drafters, All Other	Managers, All Other	$58.08	$522.72
17-3021	Electrical and Electronics Engineering Technicians	Engineering Managers	$64.34	$579.06
		Sales and Related Occupations		
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	Sales Managers	$62.05	$558.45
		Office and Administrative Support Occupations		
43-6014	Secretaries and Administrative Assistants	General and Operations Manager	$55.08	$495.72
Construction				
47-2061	Construction Laborers	Managers, All Other	$58.08	$522.72
		Installation, Maintenance, and Repair Occupations		
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	Managers, All Other	$58.08	$522.72

Table 13: $f_{FT}(3)$ Results per Position (unit vacant positions)

The third step is to compile all *Talent Acquisition Questionnaire* responses. The following table shows the required information to estimate the direct costs associated with turnover per unit position in the organization per year. The following assumptions were considered.

- The average duration to find a replacement for departed employees' position is 1 month for professional and clerical positions, 2 months for executive positions and 3 months for other positions in the company. (Refer to Table 1)
- The candidate selected for hire was referred internally by an existing company employee. (Refer to Table 2)
- Candidate expenses were considered assuming interviewees were not local. (Refer to Table 3)
- Relocation expenses were considered assuming the new-hire was not local. (Refer to Table 4)
- Background check expenses were considered assuming to only be performed to the selected candidate for hire. Values assume results of the background check are clear and the background check does not have to be performed for another candidate. (Refer to Table 6)
- Direct costs (DC) were assigned the following nomenclature: Job Advertisement (a), Internal Referral Compensation (b), Candidate Expenses (h), Relocation Expenses (d) and Background Check Expenses (e).
- Hiring positions in the following table are referenced per occupation codes.

Occupation Code	$g_{FT}(3,5)$	$f_{FT}(3)$	a	b	h	d	e	DC Per Unit Positions
Management Occupations								
11-1011								
11-1021	$24,355.95	$764.64	$700.00	$500.00	$300.00	$5,000.00	$60.00	$31,680.59
11-2022	$24,355.95	$764.64	$700.00	$500.00	$300.00	$5,000.00	$60.00	$31,680.59
11-3121	$24,355.95	$764.64	$700.00	$500.00	$300.00	$5,000.00	$60.00	$31,680.59
11-9021	$24,355.95	$764.64	$700.00	$500.00	$300.00	$5,000.00	$60.00	$31,680.59
11-9041	$24,355.95	$764.64	$700.00	$500.00	$300.00	$5,000.00	$60.00	$31,680.59
11-9199	$24,355.95	$764.64	$700.00	$500.00	$300.00	$5,000.00	$60.00	$31,680.59
Business and Financial Operations Occupations								
13-2021	$12,445.95	$495.72	$350.00	$500.00	$300.00	$0.00	$45.00	$14,136.67
Architecture and Engineering Occupations								
17-2051	$18,400.95	$579.06	$350.00	$500.00	$300.00	$2,000.00	$60.00	$22,190.01
17-2071	$18,400.95	$579.06	$350.00	$500.00	$300.00	$2,000.00	$60.00	$22,190.01
17-2199	$18,400.95	$579.06	$350.00	$500.00	$300.00	$2,000.00	$60.00	$22,190.01
17-3012	$18,400.95	$522.72	$350.00	$500.00	$300.00	$2,000.00	$60.00	$22,133.67
17-3021	$18,400.95	$579.06	$350.00	$500.00	$300.00	$2,000.00	$60.00	$22,190.01
Sales and Related Occupations								
41-4011	$18,400.95	$558.45	$350.00	$500.00	$300.00	$2,000.00	$60.00	$22,169.40
Office and Administrative Support Occupations								
43-6014	$12,445.95	$495.72	$350.00	$500.00	$300.00	$0.00	$45.00	$14,136.67
Construction								
47-2061	$18,400.95	$522.72	$1,050.00	$500.00	$300.00	$5,000.00	$60.00	$25,833.67
Installation, Maintenance, and Repair Occupations								
49-2022	$18,400.95	$522.72	$350.00	$500.00	$300.00	$2,000.00	$60.00	$22,133.67

Table 14: Compilation of Values per unit Positions

Equation 5 determines estimated direct turnover costs per position at EFC using the values in Table 14.

$$DC = (a \bullet t) + b + d + e + \sum_{i=1}^{i=x} (x \bullet h) + \sum_{i=1,x=1}^{i=3,x=5} \left[g_{FT}(i,x) + g_{PT}(i,x) \right] + \sum_{i=1}^{i=3} \left[f_{FT}(i) + f_{PT}(i) \right]$$

Equation 5: Estimated Direct Turnover Costs (DC) Per Position

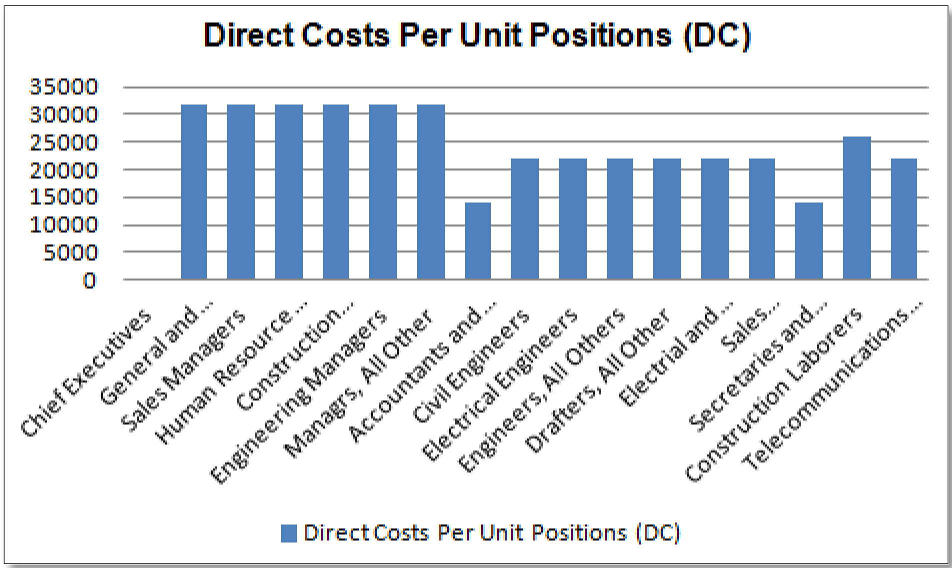

Figure 5: Estimated Direct Costs per Unit Positions

The fourth step is to multiply the estimated direct costs per position by actual voluntary turnover figures, then sum. The following figures show EFC's workforce per year followed by an average workforce per year.

Figure 6 shows EFC's workforce calculated per month. Simply observing the graph, the workforce increased significantly from January 2008 through December 2010 with minimal variations. Beginning in January 2011 through December 2011 a significant amount of employees left the organization ending the workforce count with less than 80 employees. The yearly average of employees is shown in Figure 7. Figure 6 and Figure 7 reflect both voluntary and involuntary turnover figures. For the purpose of this study, only voluntary figures will be used in the calculations per values in Table 15.

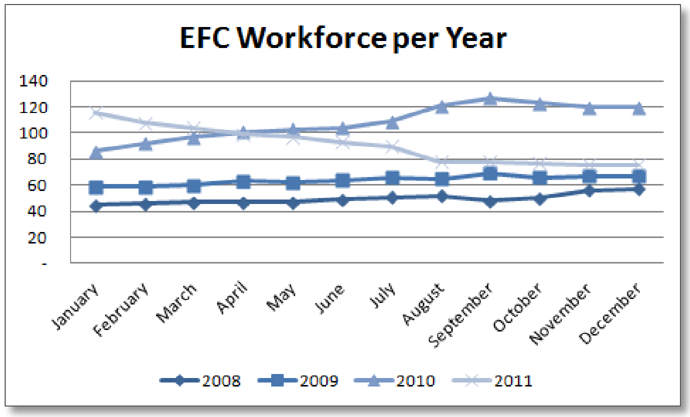

Figure 6: EFC Workforce per Year

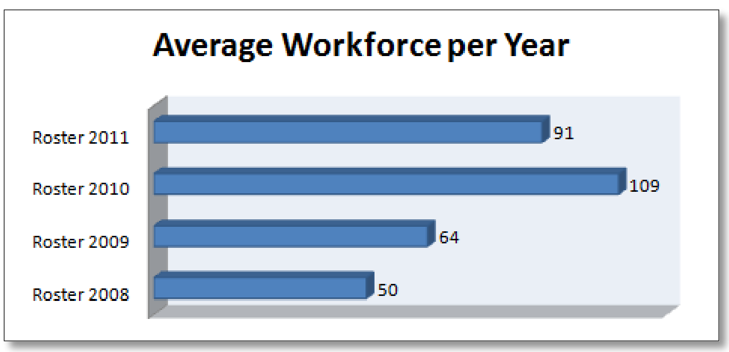

Figure 7: EFC Average Workforce per Year Estimates

Voluntary turnover per position for 2008, 2009, 2010 and 2011 are listed in the following table.

Occupation Code	Occupation Title	2008 Voluntary Turnover	2009 Voluntary Turnover	2010 Voluntary Turnover	2011 Voluntary Turnover
	Total Turnover Per Year	**1**	**10**	**34**	**33**
	Management Occupations				
11-1011	Chief Executives				
11-1021	General and Operations Manager	0	0	0	0
11-2022	Sales Managers	0	0	0	0
11-3121	Human Resource Managers	0	0	0	1
11-9021	Construction Managers	0	0	2	3
11-9041	Engineering Managers	0	3	2	4
11-9199	Managers, All Other	0	0	5	3
	Business and Financial Operations Occupations				
13-2021	Accountants and Auditors	0	1	4	2
	Architecture and Engineering Occupations				
17-2051	Civil Engineers	1	2	2	3
17-2071	Electrical Engineers	0	1	4	4
17-2199	Engineers, All Others	0	2	1	2
17-3012	Drafters, All Other	0	0	0	2
17-3021	Electrical and Electronics Engineering Technicians	0	0	0	0
	Sales and Related Occupations				
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	0	1	3	5
	Office and Administrative Support Occupations				
43-6014	Secretaries and Administrative Assistants	0	0	3	1
	Construction				
47-2061	Construction Laborers	0	0	7	2
	Installation, Maintenance, and Repair Occupations				
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	0	0	1	1

Table 15: Voluntary Turnover per Position 2008-2011

Voluntary turnover for 2008 was recorded at 2%, 16% for 2009, 31% for 2010 and 36% for 2011. After analyzing captured data, the quantities obtained lead to the following estimates of direct turnover costs incurred by EFC, calculated at year ending. It was assumed that voluntary departures required a replacement to achieve business continuity and that vacant positions were filled before year-ending.

Occupation Code	Occupation Title	2008 Voluntary Turnover	2008 DCs
	2008 Estimated Direct Turnover Costs	**1**	**$ 14,808.00**
	Management Occupations		
11-1011	Chief Executives		
11-1021	General and Operations Manager	0	$0.00
11-2022	Sales Managers	0	$0.00
11-3121	Human Resource Managers	0	$0.00
11-9021	Construction Managers	0	$0.00
11-9041	Engineering Managers	0	$0.00
11-9199	Managers, All Other	0	$0.00
	Business and Financial Operations Occupations		
13-2021	Accountants and Auditors	0	$0.00
	Architecture and Engineering Occupations		
17-2051	Civil Engineers	1	$14,808.00
17-2071	Electrical Engineers	0	$0.00
17-2199	Engineers, All Others	0	$0.00
17-3012	Drafters, All Other	0	$0.00
17-3021	Electrical and Electronics Engineering Technicians	0	$0.00
	Sales and Related Occupations		
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	0	$0.00
	Office and Administrative Support Occupations		
43-6014	Secretaries and Administrative Assistants	0	$0.00
	Construction		
47-2061	Construction Laborers	0	$0.00
	Installation, Maintenance, and Repair Occupations		
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	0	$0.00

Table 16: EFC Estimated Direct Turnover Costs (2008)

Occupation Code	Occupation Title	2009 Voluntary Turnover	2009 DCs
	2009 Estimated Direct Turnover Costs	**10**	**$ 163,699.79**
	Management Occupations		
11-1011	Chief Executives		
11-1021	General and Operations Manager	0	$0.00
11-2022	Sales Managers	0	$0.00
11-3121	Human Resource Managers	0	$0.00
11-9021	Construction Managers	0	$0.00
11-9041	Engineering Managers	3	$65,728.74
11-9199	Managers, All Other	0	$0.00
	Business and Financial Operations Occupations		
13-2021	Accountants and Auditors	1	$9,143.66
	Architecture and Engineering Occupations		
17-2051	Civil Engineers	2	$29,616.00
17-2071	Electrical Engineers	1	$14,808.00
17-2199	Engineers, All Others	2	$29,616.00
17-3012	Drafters, All Other	0	$0.00
17-3021	Electrical and Electronics Engineering Technicians	0	$0.00
	Sales and Related Occupations		
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	1	$14,787.39
	Office and Administrative Support Occupations		
43-6014	Secretaries and Administrative Assistants	0	$0.00
	Construction		
47-2061	Construction Laborers	0	$0.00
	Installation, Maintenance, and Repair Occupations		
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	0	$0.00

Table 17: EFC Estimated Direct Turnover Costs (2009)

Occupation Code	Occupation Title	2010 Voluntary Turnover	2010 DCs
	2010 Estimated Direct Turnover Costs	**34**	**$ 553,123.29**
	Management Occupations		
11-1011	Chief Executives		
11-1021	General and Operations Manager	0	$0.00
11-2022	Sales Managers	0	$0.00
11-3121	Human Resource Managers	0	$0.00
11-9021	Construction Managers	2	$43,819.16
11-9041	Engineering Managers	2	$43,819.16
11-9199	Managers, All Other	5	$109,547.90
	Business and Financial Operations Occupations		
13-2021	Accountants and Auditors	4	$36,574.64
	Architecture and Engineering Occupations		
17-2051	Civil Engineers	2	$29,616.00
17-2071	Electrical Engineers	4	$59,232.00
17-2199	Engineers, All Others	1	$14,808.00
17-3012	Drafters, All Other	0	$0.00
17-3021	Electrical and Electronics Engineering Technicians	0	$0.00
	Sales and Related Occupations		
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	3	$44,362.17
	Office and Administrative Support Occupations		
43-6014	Secretaries and Administrative Assistants	3	$27,430.98
	Construction		
47-2061	Construction Laborers	7	$129,161.62
	Installation, Maintenance, and Repair Occupations		
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	1	$14,751.66

Table 18: EFC Estimated Direct Turnover Costs (2010)

Occupation Code	Occupation Title	2011 Voluntary Turnover	2011 DCs
	2011 Estimated Direct Turnover Costs	**33**	**$ 556,803.61**
	Management Occupations		
11-1011	Chief Executives		
11-1021	General and Operations Manager	0	$0.00
11-2022	Sales Managers	0	$0.00
11-3121	Human Resource Managers	1	$21,909.58
11-9021	Construction Managers	3	$65,728.74
11-9041	Engineering Managers	4	$87,638.32
11-9199	Managers, All Other	3	$65,728.74
	Business and Financial Operations Occupations		
13-2021	Accountants and Auditors	2	$18,287.32
	Architecture and Engineering Occupations		
17-2051	Civil Engineers	3	$44,424.00
17-2071	Electrical Engineers	4	$59,232.00
17-2199	Engineers, All Others	2	$29,616.00
17-3012	Drafters, All Other	2	$29,503.32
17-3021	Electrical and Electronics Engineering Technicians	0	$0.00
	Sales and Related Occupations		
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	5	$73,936.95
	Office and Administrative Support Occupations		
43-6014	Secretaries and Administrative Assistants	1	$9,143.66
	Construction		
47-2061	Construction Laborers	2	$36,903.32
	Installation, Maintenance, and Repair Occupations		
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	1	$14,751.66

Table 19: EFC Estimated Direct Turnover Costs (2011)

The following table lists the percentage of each position salary spent in direct turnover costs. If the company follows this study and gathers indirect costs due to voluntary turnover as described by Branham, a more accurate and higher percentage of each position's salary can be derived.

Occupation Code	Occupation Title	DC per Unit Positions	Annual Salary Per Position	% of annual salary
Management Occupations				
11-1011	Chief Executives			
11-1021	General and Operations Manager	$31,680.59	$ 114,560.00	27.65%
11-2022	Sales Managers	$31,680.59	$ 129,050.00	24.55%
11-3121	Human Resource Managers	$31,680.59	$ 123,870.00	25.58%
11-9021	Construction Managers	$31,680.59	$ 74,170.00	42.71%
11-9041	Engineering Managers	$31,680.59	$ 133,830.00	23.67%
11-9199	Managers, All Other	$31,680.59	$ 120,810.00	26.22%
Business and Financial Operations Occupations				
13-2021	Accountants and Auditors	$14,136.67	$ 68,950.00	20.50%
Architecture and Engineering Occupations				
17-2051	Civil Engineers	$22,190.01	$ 84,700.00	26.20%
17-2071	Electrical Engineers	$22,190.01	$ 96,190.00	23.07%
17-2199	Engineers, All Others	$22,190.01	$ 81,280.00	27.30%
17-3012	Drafters, All Other	$22,133.67	$ 41,340.00	53.54%
17-3021	Electrical and Electronics Engineering Technicians	$22,190.01	$ 52,010.00	42.66%
Sales and Related Occupations				
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	$22,169.40	$ 68,950.00	32.15%
Office and Administrative Support Occupations				
43-6014	Secretaries and Administrative Assistants	$14,136.67	$ 31,340.00	45.11%
Construction				
47-2061	Construction Laborers	$25,833.67	$ 31,380.00	82.33%
Installation, Maintenance, and Repair Occupations				
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	$22,133.67	$ 48,980.00	45.19%

Table 20: Direct Turnover Costs Vs. Salary per Position

An increase in direct turnover cost estimates from 2008 through 2011 is observed. Specifically, an increase of 1,105.48% is observed from 2008 to 2009, an increase of 337.89% from 2009 to 2010 and an increase of 100.67% from 2010 to 2011. Overall, direct turnover costs increased 3,760.15% from 2008 to 2011. Also, a turning point in company practices is inferred to have occurred in the period between the beginning and year end of 2009, causing an astonishing increase in voluntary turnover and in costs of 1,105.48%. The increased number of voluntary turnover per position is shown in Table 15, and the estimated direct turnover costs are shown in Figure 8.

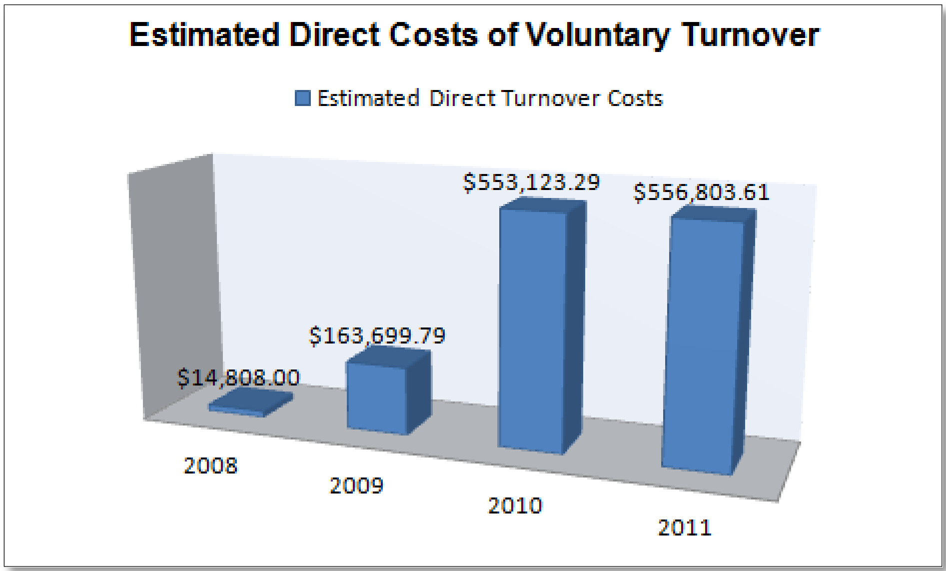

Figure 8: Estimated Direct Turnover Cost (2008 through 2011)

TALENT ACQUISITION QUESTIONNAIRE DISCUSSION

In the talent acquisition questionnaire, EFC's human resources manager provided average costs for efforts to attract and acquire talent. By following the proposed estimating methodology and using the equations in this study, the direct cost of turnover was easily obtainable. Results may vary if a small business follows this process and collects all necessary information diligently in order to provide a measurable baseline for comparison. In this study, the direct costs associated with turnover were comprised of several imperative elements that must be undertaken during the talent attraction and acquisition phase in a small business. These elements include the human resources manager’s involvement in the acquisition process, hiring manager’s involvement in the acquisition process, and other direct costs.

Other direct costs include job advertisement, employee referral compensations, applicant expenses, relocation expenses, background investigations and employee examinations. Using EFC’s organizational matrix of roles and responsibilities and annual salaries obtained from the Bureau of Labor Statistics (BLU) facilitated in determining EFC’s positions and associated compensation in an hourly and yearly basis. This information combined with the proposed process to obtaining direct turnover costs in this thesis, provided a comparison per position of how much of an employee’s salary is spent by a business due to turnover. For example, 42.71% of Construction Manager’s actual salary ($74,170.00) is spent in Direct Costs to find a replacement for this position. By multiplying this incurred cost by turnover rate per position resulted in higher expenditures than a person’s salary, negatively affecting EFC’s bottom line revenues. Direct turnover costs were estimated for each position identified in Table 9.

EFC is a small business in the telecommunications market. It is a very specialized section of the market which requires job exposure to obtain experience and increased employee effectiveness. Experience on telecommunications projects provides employees’ with the skills necessary to understand and grow in the industry. The hiring positions included drafters, telecommunications equipment installers, secretaries and administrative assistants, sales representatives, construction managers, accountants, managers, human resource managers, sales managers, engineers (Others; Structural Engineers and Environmental Engineers), engineering managers, civil engineers and electrical engineers. Some positions require generic knowledge of the job requirements such as human resources manager, accountants, and secretaries and administrative assistants. Others require specialized skills and capabilities to perform effectively such as; drafters, telecommunications equipment installers, sales representatives, construction managers, managers, sales managers, engineers (others), engineering managers, civil engineers and electrical engineers.

It can be debated that, for example a candidate with generic management skills is capable of managing a team of civil engineers that specializes in telecommunications. However, in order to effectively manage routine activities of his or her employees, engineering mangers must understand what their employees' daily operations and procedures are in order to perform per industry standards. It requires a deep understanding of the industry to be able to fully generate value to operations. The same can be debated with sales managers. They must understand the processes to assign sales representatives to market segments or territories. However, these can only be fully understood if the sales manager understands what products and services are being sold. Drafters are those that have the skill to operate computer software to create drawings with high quality that meet industry and customer standards. However, these standards are only known after being exposed to the industry. Therefore, these positions that require more skills and capabilities to perform in this industry are the core knowledge workers of the organization. They are the ones the company cannot afford to lose. Other positions in the organization such as secretaries and administrative assistants, human resources manager and accountants are considered transactional employees. Transactional employees can provide value to the business as contract labor or traditional job-based employees. They work under specific terms and conditions to provide a specific job description. By identifying which employees fit in each category (Core Knowledge Workers, Traditional or Contract labor), management can determine which employees are imperative to achieving company goals. Core knowledge workers have acquired the knowledge, skills and competencies that the business needs to generate revenues, it is important to keep them happy. Perhaps assign them as mentors to create and develop more talent that aligns with the strategic metrics required to succeed.

After identifying the core knowledge workers that EFC needs to create value and remain competitive, focus must directed to how much of direct costs are incurred to replace departing core knowledge workers. Based on EFC's core competencies, the following have been identified as the core knowledge workers and the percentage of direct costs in relation to their annual salary.

- Construction laborers (tower crews and civil construction) rank the highest with 82.33%
- Drafters rank second highest with 53.54%
- Telecommunications equipment installers and repairers rank third highest with 45.19%
- Construction managers rank fourth highest with 42.71%
- Electrical and electronics technicians rank fifth highest with 42.66%

New-Hire Adaptability, "Rapid On-boarding"

As previously mentioned, indirect costs identified by Branham include staff salary (overtime of existing employee to provide job continuity), management time (time spent processing paperwork), direct supervisor's time (time to help provide job continuity and introductory time with new-hires), orientation time (time spent by new-hires to get acquainted with the organization, colleagues and job requirements), training time and resources, lost opportunity costs, learning curve productivity loss) and customer service disruption/defections (rework needed to achieve high quality results). Some of these indirect costs such as staff salary, direct supervisor's time, orientation time and training time can be measured by recording and evaluating these metrics on habitual operations. However, some are more difficult to estimate and require higher involvement from senior management such as lost opportunity costs and customer service disruption/defections. Challenging factors directly related to the study presented in this thesis are orientation time and training time for new-hires. They encompass how quickly a business transforms new-hires into productive employees, or "rapid on-boarding" (Keith Rollag, 2005).

Kick-off of new-hire productivity is a challenge. During the early stages of newcomers to a business, the company incurs costs for salary, training, orientation, consumption of co-workers time and direct supervisor’s time. Rollag, Parise and Cross estimate that on average, the time it takes for new-hires to achieve full productivity ranges from 8 weeks for clerical positions, 20 weeks for professionals and 26 for executives.

EFC undoubtedly undergoes considerable time to cope with attrition resulting from turnover. Referring back to Figure 7 and Table 15, EFC positions were allocated as follows. Executive positions included engineering managers, managers (all others), sales managers, and human resource managers. Professional positions include construction managers, sales representatives, telecommunications equipment installers, civil engineers, electrical engineers, engineers (all others), and drafters (all others). Clerical positions include secretaries and administrative assistants, accountants and auditors. Other positions included construction laborers.

To determine the costs incurred for new-hire adaptability, it was assumed that all departing employees had to be replaced. New-hire adaptability costs per position are shown in the following table given the assumption that average adaptability to productivity time is 26 weeks for executive positions, 20 weeks for professional positions and 8 weeks for clerical positions.

Occupation Code	Occupation Title	Mean Hourly Salary	AC per Unit Position
Management Occupations			
11-1011	Chief Executives	$84.96	
11-1021	General and Operations Manager	$55.08	$57,283.20
11-2022	Sales Managers	$62.05	$64,532.00
11-3121	Human Resource Managers	$59.55	$61,932.00
11-9021	Construction Managers	$35.66	$37,086.40
11-9041	Engineering Managers	$64.34	$66,913.60
11-9199	Managers, All Other	$58.08	$60,403.20
Business and Financial Operations Occupations			
13-2021	Accountants and Auditors	$33.15	$10,608.00
Architecture and Engineering Occupations			
17-2051	Civil Engineers	$40.72	$32,576.00
17-2071	Electrical Engineers	$46.25	$37,000.00
17-2199	Engineers, All Others	$39.08	$31,264.00
17-3012	Drafters, All Other	$19.87	$15,896.00
17-3021	Electrical and Electronics Engineering Technicians	$25.00	$20,000.00
Sales and Related Occupations			
41-4011	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	$33.15	$26,520.00
Office and Administrative Support Occupations			
43-6014	Secretaries and Administrative Assistants	$15.07	$4,822.40
Construction			
47-2061	Construction Laborers	$15.09	$12,072.00
Installation, Maintenance, and Repair Occupations			
49-2022	Telecommunications Equipment Installers and Repairers, Except Line Installers	$23.55	$18,840.00

Table 21: Adaptability Costs per Unit Position

Integrating results from Table 15 and Table 21, the following adaptability costs (AC) were incurred per position between the periods of 2008 to 2011. Positions are identified by the Occupation Code.

Occupation Code	2008 (AC)	2009 (AC)	2010 (AC)	2011 (AC)
Total Estimated Adaptability Costs	**$ 32,576.00**	**$ 402,548.80**	**$ 994,235.20**	**$ 1,163,725.60**
Management Occupations				
11-1011				
11-1021	$0.00	$0.00	$0.00	$0.00
11-2022	$0.00	$0.00	$0.00	$0.00
11-3121	$0.00	$0.00	$0.00	$61,932.00
11-9021	$0.00	$0.00	$74,172.80	$111,259.20
11-9041	$0.00	$200,740.80	$133,827.20	$267,654.40
11-9199	$0.00	$0.00	$302,016.00	$181,209.60
Business and Financial Operations Occupations				
13-2021	$0.00	$10,608.00	$42,432.00	$21,216.00
Architecture and Engineering Occupations				
17-2051	$32,576.00	$65,152.00	$65,152.00	$97,728.00
17-2071	$0.00	$37,000.00	$148,000.00	$148,000.00
17-2199	$0.00	$62,528.00	$31,264.00	$62,528.00
17-3012	$0.00	$0.00	$0.00	$31,792.00
17-3021	$0.00	$0.00	$0.00	$0.00
Sales and Related Occupations				
41-4011	$0.00	$26,520.00	$79,560.00	$132,600.00
Office and Administrative Support Occupations				
43-6014	$0.00	$0.00	$14,467.20	$4,822.40
Construction				
47-2061	$0.00	$0.00	$84,504.00	$24,144.00
Installation, Maintenance, and Repair Occupations				
49-2022	$0.00	$0.00	$18,840.00	$18,840.00

Table 22: Bottom-Line Negative Impact of Adaptability Costs

Integrating results from Table 20 and Table 21, it was concluded that the following estimates represent total estimated direct turnover costs (TDC) per unit turnover position (TP), indicating the percentage of each position salary. Positions are referenced per Occupation Code. The highest costs incurred by the organization in relation to percentage of salary and from highest to lowest are construction laborers, construction managers and drafters.

$$TDC = (Direct\ Turnover\ Costs\ (DC) + Adaptability\ Costs\ (AC)) \times \mathrm{TP}$$

Equation 6: Total Estimated Direct Turnover Costs (TDC)

Occupation Code	Annual Salary per Position	DC Per Unit Positions	AC per Unit Position (TP)	% of TDC in relation to annual salary
Management Occupations				
11-1011	$176,710.00			
11-1021	$114,560.00	$21,909.58	$57,283.20	69.13%
11-2022	$129,050.00	$21,909.58	$64,532.00	66.98%
11-3121	$123,870.00	$21,909.58	$61,932.00	67.69%
11-9021	$74,170.00	$21,909.58	$37,086.40	79.54%
11-9041	$133,830.00	$21,909.58	$66,913.60	66.37%
11-9199	$120,810.00	$21,909.58	$60,403.20	68.13%
Business and Financial Operations Occupations				
13-2021	$68,950.00	$9,143.66	$10,608.00	28.65%
Architecture and Engineering Occupations				
17-2051	$84,700.00	$14,808.00	$32,576.00	55.94%
17-2071	$96,190.00	$14,808.00	$37,000.00	53.86%
17-2199	$81,280.00	$14,808.00	$31,264.00	56.68%
17-3012	$41,340.00	$14,751.66	$15,896.00	74.14%
17-3021	$52,010.00	$14,808.00	$20,000.00	66.93%
Sales and Related Occupations				
41-4011	$68,950.00	$14,787.39	$26,520.00	59.91%
Office and Administrative Support Occupations				
43-6014	$31,340.00	$9,143.66	$4,822.40	44.56%
Construction				
47-2061	$31,380.00	$18,451.66	$12,072.00	97.27%
Installation, Maintenance, and Repair Occupations				
49-2022	$48,980.00	$14,751.66	$18,840.00	68.58%

Table 23: Total Estimated Direct Turnover Cost per Position

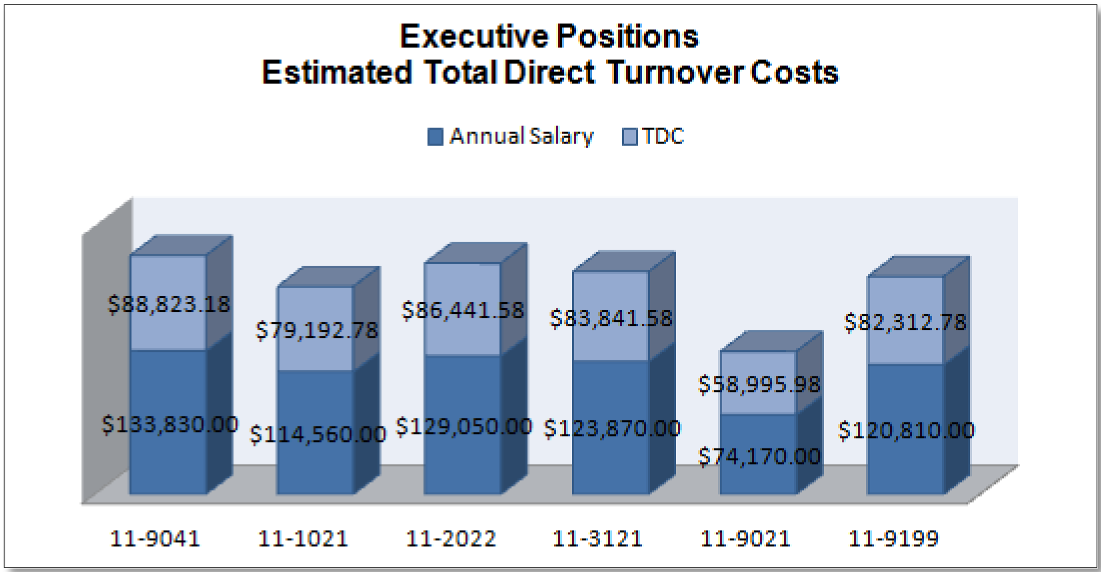

Figure 9: Executive Positions Estimated Direct Turnover Costs

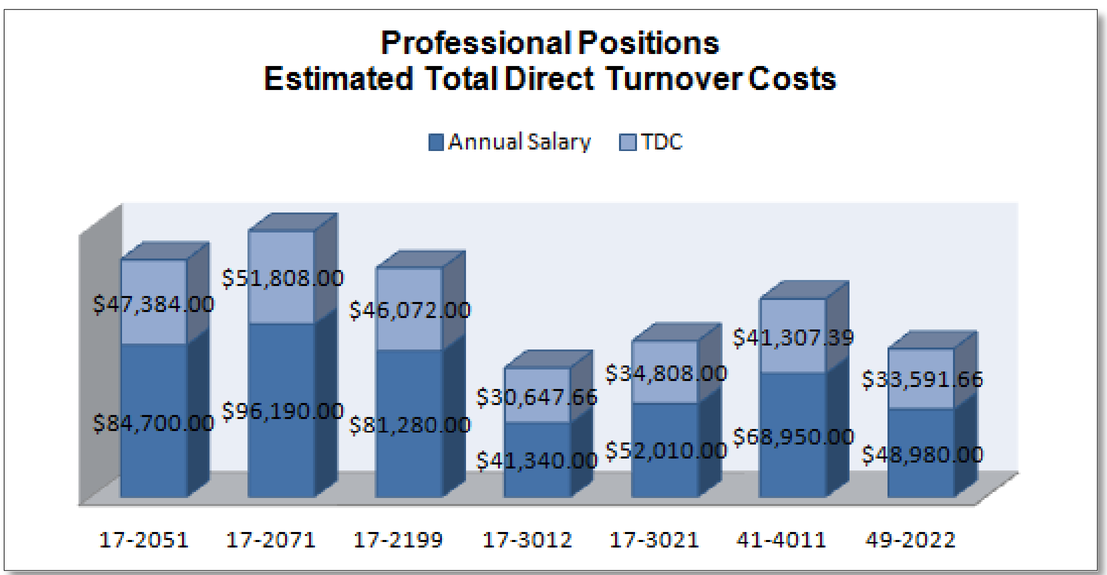

Figure 10: Professional Positions Estimated Direct Turnover Costs

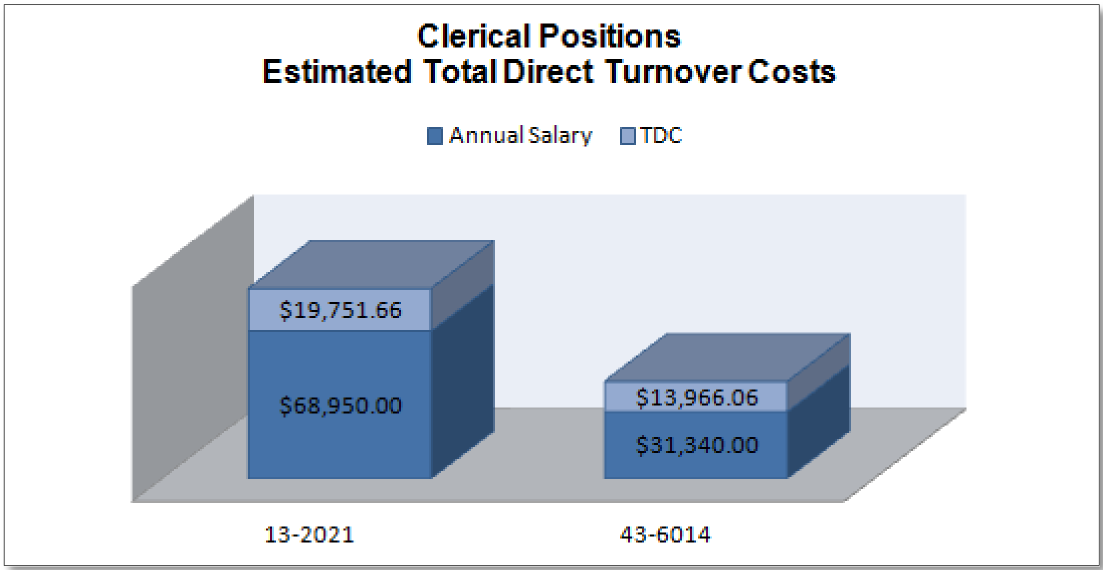

Figure 11: Clerical Positions Estimated Direct Turnover Costs

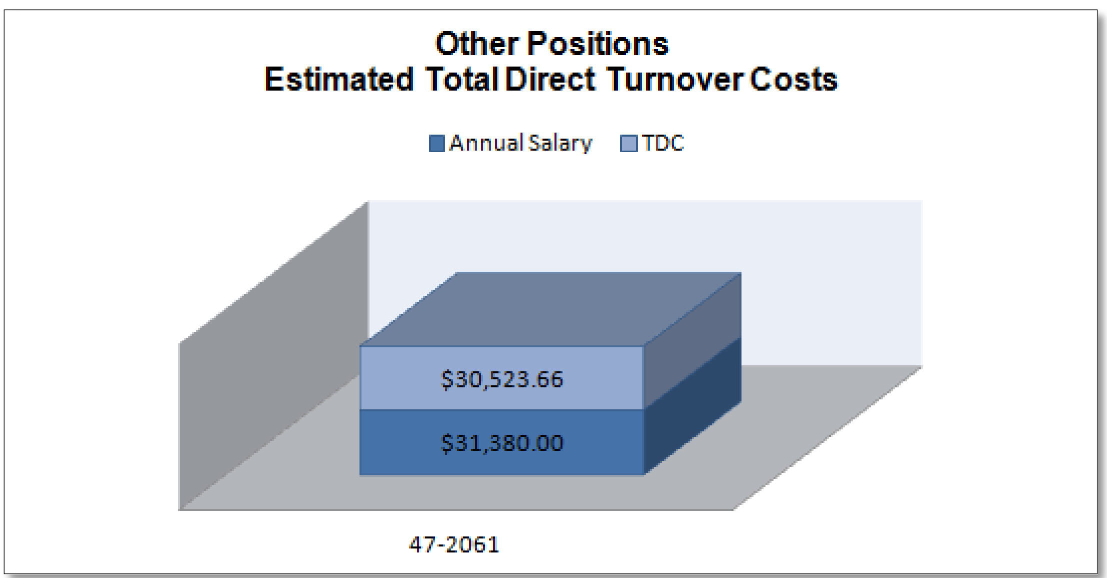

Figure 12: Other Positions Estimated Direct Turnover Costs

Estimated total direct turnover costs per position are shown in Figure 9, Figure 10, Figure 11 and Figure 12. Each figure represents a different position levels in the organization; Executive, Professional, Clerical and Other, respectively.

The following figure represents the estimated total direct turnover costs (TDC) at EFC in a period of 4 years. The estimated total direct turnover costs are the sum of the identified direct costs in Table 14: Compilation of Values per unit Positions and Table 21: Adaptability Costs per Unit Position. These values multiplied by the total turnover positions (TP) per year in Table 16: Voluntary Turnover per Position 2008-2011 result in $47,384.00 for 2008, $566,248.89 for 2009, $1,547,358.49 for 2010 and finally $1,720,529.21 for 2011.

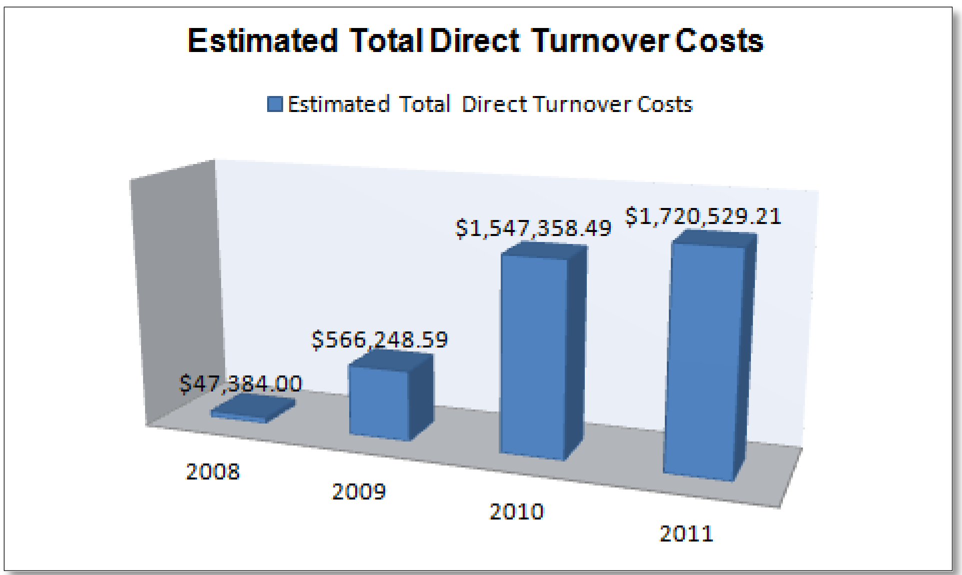

Figure 13: Total Estimated EFC Turnover Costs (2008-2011)

To determine a strategy that targets reduction of core knowledge workers, senior management must identify the top performers, the hard to find specialists, those who could possibly take customers and revenues if they left and those who could take tacit knowledge with them. These individuals should be most imperative for EFC to keep happy. The two main questions are *what occurred in this period that jump-started voluntary turnover?* And *was there something the organization could have done to* *prevent this increasing trend?* To answer these questions, the following exit survey was implemented to departing employees.

EMPLOYEE EXIT SURVEY RESULTS AND DISCUSSION

Surveys are tools utilized to gain insight and better understanding on specific subjects. For this study, surveys were distributed to departing employees of a small business (EFC) to gain better understanding of strengths and vulnerabilities in the workforce. Survey results were summarized to identify key findings and provide suggestions to improve human capital management.

Employee exit surveys consisted of 26 participants between the years of 2008 and 2011; 69% professional positions, 12% clerical positions and 19% executive positions. The percentile of participants per employee group consisted of 32% of departing professionals, 75% of departing clerical, and 28% of executive employees. Responses are more reliable when the percentage of gathered surveys per position level is greater; consequently, any implemented changes to company practices have a greater probability of a positive outcome.

Employee exit surveys allow management to better understand workforce turnover. They identify the gap between employee perceptions of company offerings against industry offerings. The gaps usually coincide with the employee for fundamental needs; *trust, growth, recognition and competency.*

Response Grouping and Analysis

The study was presented in an open-question format and implemented to departing employees in three different groups; *clerical*, *professional* and *executive*. Individual factors per question were identified. Similarities in responses are represented by number of occurrences per group; for example: *Question 1 asks respondents their primary reason for leaving. One of the 18 identified factors is R13: Feel undervalued and* *underappreciated. Clerical had 0 occurrences, Professional had 1 occurrence and Executive had 1 occurrence.* The overall average was calculated per response factor.

After identifying the gaps per question, the highest impacting factors were selected based on human capital management practices and culture values that hamper the organizations ability to enhance competencies and overall, affect company performance. Data was isolated by first determining the overall mean and standard deviation of the responses and *normalized*. The closest the standard deviation is to the mean will result in a steep bell curve with short tails in the distribution graph. This means that responses have a higher probability of occurrence. The greater the difference between the standard deviation and the mean, the longer the tails in the distribution; therefore, the percentage of response occurrences is reduced. The "bell" in the response distribution represents the highest number of occurrences and the highest percentage of occurrence of responses. *For example; for question 1, respondents were asked their primary reason for leaving. R1 through R11 have an overall average of 0.33 and R12 through R15 have an overall average of 0.67; therefore, these responses are identified by the "bell" in the distribution graph. Values are referenced in the x-axis.*

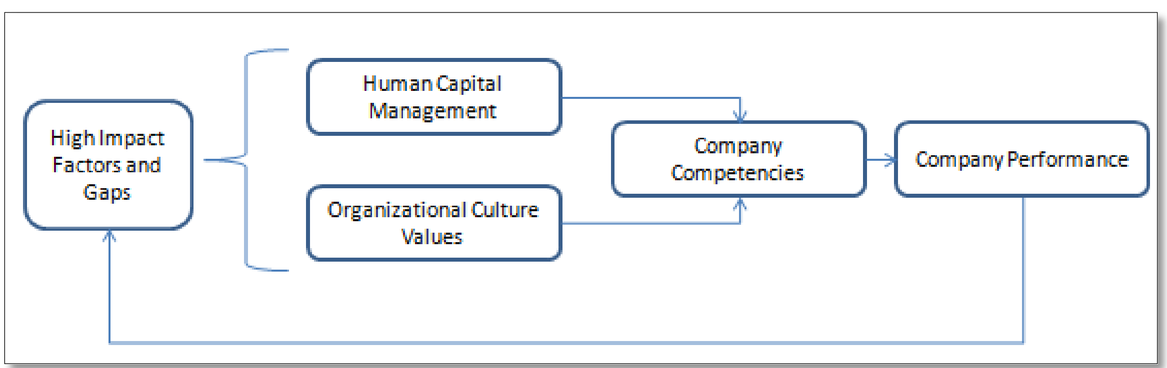

Figure 14: "High Impact" Factors & Gaps Evaluation Model

A few short recommendations will be provided for the key factors and gaps listed at the end of this section. They will address human capital levers and organizational culture values and their link to company competencies with the objective of achieving the sought company performance. Any action taken to address these needs should be implemented with the following thought in mind: *If the business is going to maintain a competitive advantage and achieve positive company performance, where can the company not afford to lose people?*

Question #1: What is your primary reason for leaving?

The mean was 0.67 and standard deviation was 0.60.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Poor management by senior management	1	0	0	0.33
R2	Lack of integrity from senior management	0	1	0	0.33
R3	Lack of support from senior management	0	1	0	0.33
R4	Lack of "top-down" communication	0	1	0	0.33
R5	Lack of annual raises and processes	0	1	0	0.33
R6	Lack of incentives and processes	0	1	0	0.33
R7	Unsatisfactory benefits package (vacation, sick days and health insurance coverage)	0	1	0	0.33
R8	Feelings of being over-worked	0	1	0	0.33
R9	Office location	0	1	0	0.33
R10	No primary reason, several	0	0	1	0.33
R11	Personal	0	1	0	0.33
R12	Dissatisfaction with work environment, atmosphere	1	1	0	0.67
R13	Feel undervalued and underappreciated	0	1	1	0.67
R14	Dissatisfaction with person-job fit	0	1	1	0.67
R15	Seeking different career path	0	2	0	0.67
R16	Better opportunity presented itself	0	2	2	1.33
R17	Lack of training, growth and advancement opportunities	0	6	0	2.00
R18	Low salary, not competitive	1	6	0	2.33

Table 24: Question 1 Grouping Analysis

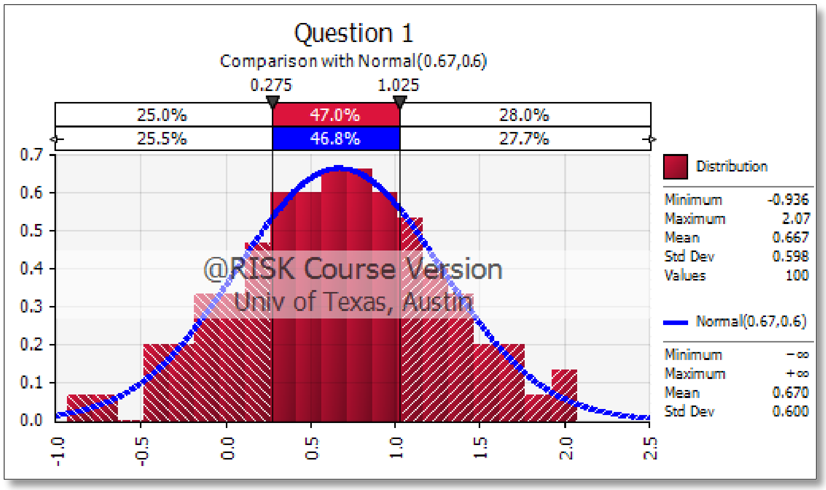

Figure 15: Question 1 Response Distribution

<u>Observations:</u> Figure 1 Highest impact responses were between 0.275 and 1.025; R1 to R14. As the first question in the survey, it is intended to uncover the main triggers that cause turnover. Failing to recognize those triggers accurately can lead to unfounded and costly strategies being implemented. Responses were grouped into the following three categories: Poor management, compensation and workload. Poor management practices are any action by senior management that directly affects employees such as *"Lack of "top-down" communication"*. Compensation represents monetary payouts to employees such as *"Lack of annual raises, processes"*. Workload represents the work distribution per employee for a standard work week such as *"Feelings of being over-worked; 50+ hour work weeks"*.

Question #2: What triggered your decision to leave?

The mean was 0.77 and standard deviation was 0.61.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Lack of integrity and morale from senior management	0	1	0	0.33
R2	Lack of training, growth and advancement opportunities	0	1	0	0.33
R3	Lack of bonus or incentives	1	0	0	0.33
R4	Lack of fairness in bonus distribution	1	0	0	0.33
R5	Feelings of being underutilized	0	1	0	0.33
R6	Better opportunity presented itself	0	1	0	0.33
R7	Office location	0	1	0	0.33
R8	Personal reasons	0	1	0	0.33
R9	Lack of immediate management, oversight	0	1	1	0.67
R10	Dissatisfaction with person-job fit	0	2	0	0.67
R11	Dissatisfaction with work environment, atmosphere	0	2	0	0.67
R12	Loss of benefits (vacation, sick days and health insurance)	1	2	0	1.00
R13	Lack of "top-down" communication, poor	0	2	2	1.33
R14	Low salary, not competitive	1	3	0	1.33
R15	Lack of respect and appreciation from senior management	2	2	1	1.67
R16	No	0	5	2	2.33

Table 25: Question 2 Grouping Analysis

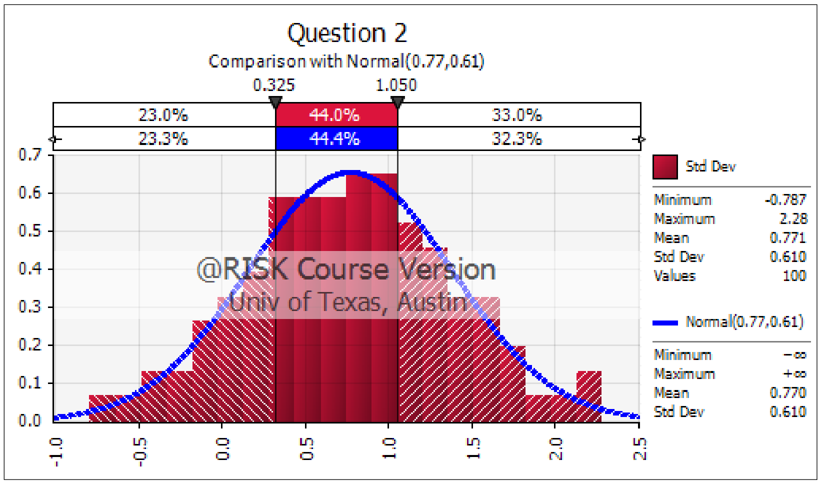

Figure 16: Question 2 Response Distribution

<u>Observations:</u> Highest impact responses were 0.325 and 1.05; R1 to R12. After uncovering the main triggers of turnover, question 2 is intended to pinpoint if a specific event caused the employees to leave. Responses were grouped into the following three categories: Talent acquisition, Talent creation and Talent Management. Talent acquisition practices include evaluation and screening of candidates to determine compatibility with the organization and job position; such as: *"Dissatisfaction with person-job fit"*. Talent creation practices include investments in employees to enhance capabilities and foster growth; such as *"Lack of training, growth, and advancement opportunities."* Talent management practices maximize employee utilization by determining skill-sets and using them in the most efficient way, such as *"Lack of immediate management, oversight"*.

Question #3: What was the most satisfying about your job?

The mean was 0.77 and standard deviation was 1.38.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Advancement opportunities	0	1	0	0.33
R2	Ability to train co-workers	0	0	1	0.33
R3	Ability to improve processes	0	0	1	0.33
R4	Gaining experience	0	1	0	0.33
R5	Project types	0	1	0	0.33
R6	Job responsibilities	0	1	0	0.33
R7	On-the-job challenges	0	0	1	0.33
R8	Respect and appreciation	0	1	0	0.33
R9	Nothing	0	1	0	0.33
R10	Everything	0	0	1	0.33
R11	Project ownership	0	1	1	0.67
R12	Opportunities to travel	0	2	0	0.67
R13	Relationships with co-workers	2	12	2	5.33

Table 26: Question 3 Grouping Analysis

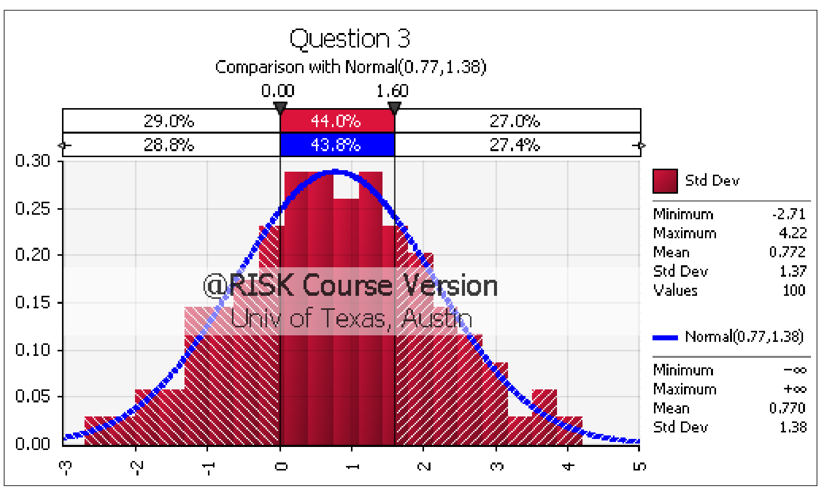

Figure 17: Question 3 Response Distribution

Observations: Highest impact responses were between 0.00 and 1.60; R1 to R12. Implementing a strategy that focuses on employee satisfaction must address factors that employees already believe are satisfactory. However, if a strategy is implemented and already satisfactory factors are eliminated, in can lead to unwanted results. Responses were grouped into the following three categories: Talent acquisition, Talent creation and Organizational culture. Talent acquisition represents information that was communicated to the candidate about job requirements and responsibilities; such as: *"Project types, responsibilities and on-the-job challenges"*. Talent creation practices include the ability of employees to gain experience and grow professionally; such as "*Ability to train co-workers* and *gaining experience."* Miscellaneous factors include *"Opportunities to travel."*

Question #4: What was the least satisfying about your job?

The mean is 0.59, and standard deviation is 0.29.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Lack of trust from senior management	0	0	1	0.33
R2	Lack of integrity and morale from senior management	0	1	0	0.33
R3	Fighting internal procedures	0	0	1	0.33
R4	Limited latitude to operate	0	0	1	0.33
R5	Inability to make changes that would positively impact culture	0	0	1	0.33
R6	Feeling undervalued and replaceable by senior management	0	1	0	0.33
R7	Vague corporate organization and structure	0	1	0	0.33
R8	Lack of recognition	0	1	0	0.33
R9	Not being provided tools and supplies needed for the job	0	1	0	0.33
R10	Everything	0	1	0	0.33
R11	Lack of compassion and respect for workers from senior management	1	1	0	0.67
R12	Unable to address issues with senior management	0	2	0	0.67
R13	Excessive micro-management from senior management	0	0	2	0.67
R14	Unsatisfactory benefits package (vacation, sick days and health insurance coverage)	0	2	0	0.67
R15	Lack of training, growth and advancement opportunities	0	2	0	0.67
R16	Lack of mentorship program	0	2	0	0.67
R17	Feelings of being underutilized	1	1	0	0.67
R18	No comment	0	1	1	0.67
R19	Extensive travel requirements, unpredictable	0	3	0	1.00
R20	Long working hours, over-worked	1	2	0	1.00
R21	Uncertainty of resources would be available for the job, increased pressure		2	0	1.00
R22	Low salary, not competitive	0	4	0	1.33

Table 27: Question 4 Grouping Analysis

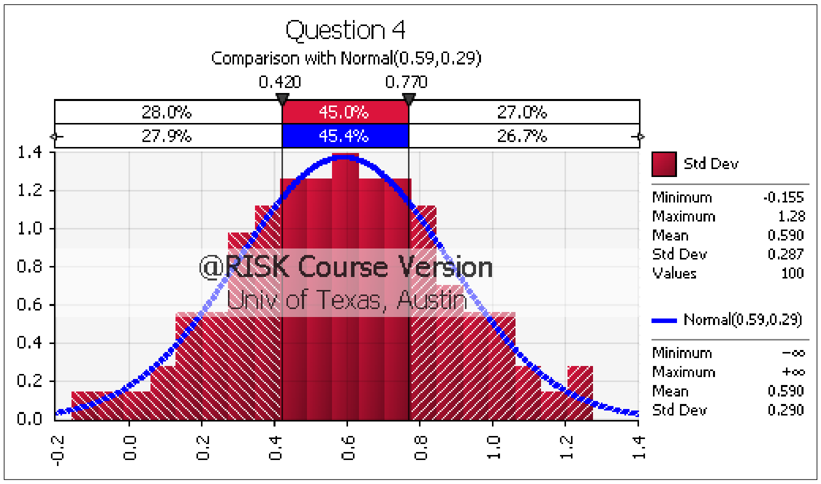

Figure 18: Question 4 Response Distribution

Observations: Highest impact responses were between 0.42 and 0.77; R11 to R18. Unearthed factors captured from this question are the starting point for creating a retention strategy. Responses were grouped into the following three categories: Poor senior management practices, Talent creation and Talent management. Poor senior management practices represent the inability of employees and management team to make decisions on habitual work situations; such as: *"Excessive micro-management"*. Talent creation practices include the ability of employees to gain experience and grow professionally; such as *"Lack of training, growth and advancement opportunities."* Talent management has the objective to utilize employees in an efficient manner to maximize performance such as *"Feelings of being underutilized."*

Question #5: What would you change about your job to increase employee satisfaction?

The mean was 0.55 and standard deviation was 0.35.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Modify senior management practices	1	0	0	0.33
R2	Decrease bureaucracy	0	1	0	0.33
R3	Foster interdepartmental communication and coordination	0	0	1	0.33
R4	Increase "top-down" communications	0	1	0	0.33
R5	Trust employees	0	0	1	0.33
R6	Respect employees	0	1	0	0.33
R7	Decrease feelings of employees being replaceable	0	1	0	0.33
R8	Provide better equipment to perform the job	1	0	0	0.33
R9	Provide training opportunities	0	1	0	0.33
R10	Increase engineering content in job description	0	1	0	0.33
R11	Add project variety	0	1	0	0.33
R12	Better utilize knowledge and skill sets	0	1	0	0.33
R13	Change office location	0	1	0	0.33
R14	Reduce over-work and decrease employee burn-out	0	0	1	0.33
R15	No comment	0	1	0	0.33
R16	Give employees ownership of their work	0	2	0	0.67
R17	Increase job responsibilities	0	2	0	0.67
R18	Remove micromanagement practices, give employees the ability to make decisions	0	2	1	1.00
R19	Implement a clear organizational structure with management positions	0	2	1	1.00
R20	Job was satisfactory	0	3	0	1.00
R21	Increase salary, salary structure	0	3	1	1.33
R22	Provide recognition incentives to excel	0	3	1	1.33

Table 28: Question 5 Grouping Analysis

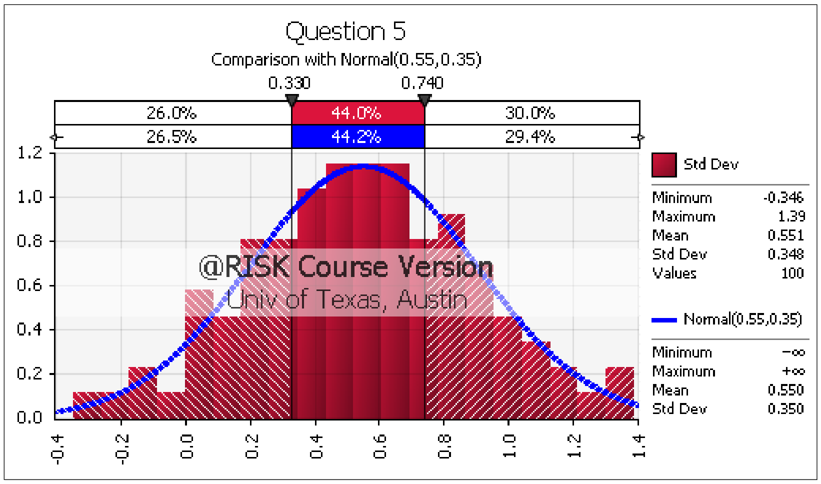

Figure 19: Question 5 Response Distribution

<u>Observations:</u> Highest impact responses were between 0.33 and 0.74; R1 toR17. Responses were grouped into the following three categories: Poor senior management practices, Organizational culture values and Talent management. Poor senior management practices are represented by the lack of trust from employees to management; such as: *"Lack of "top-down" communication"*. Organizational culture values represent employee perception of senior management actions in habitual situations; such as *"Decrease feelings of employees being replaceable."* Talent management has the objective to utilize employees in an efficient and effectively distribute work-load to reduce employee burnout and absenteeism such as *"Reduce over-work and decrease employee burn-out."*

Question #6: Did you receive sufficient feedback about your performance between merit reviews?

The mean was 4.33 and standard deviation was 3.30.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	No	2	13	5	6.67
R2	Yes	1	5	0	2.00

Table 29: Question 6 Grouping Analysis

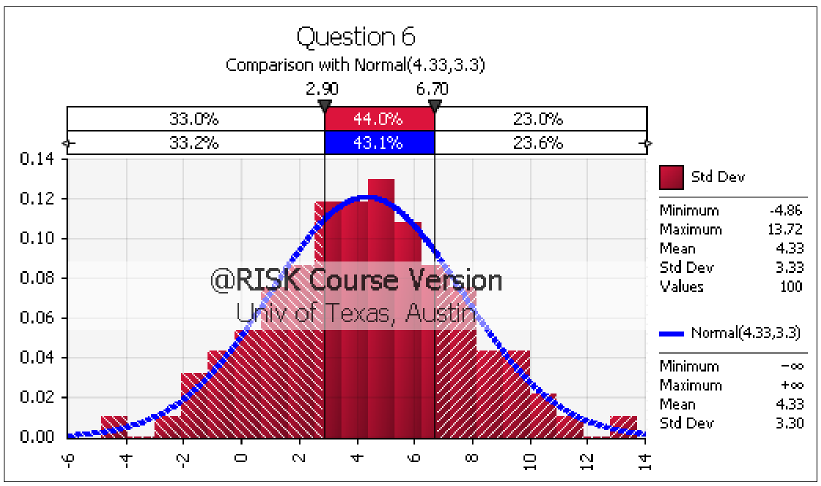

Figure 20: Question 6 Response Distribution

Observations: Highest impact responses were between 2.90 and 6.70; R1. Talent management by immediate managers was evaluated by uncovering the level and quality of performance assessments that promote employee growth and advancement. Overall, 77% of departed employees did not receive sufficient feedback from immediate managers; including employees from all three groupings. Underprovided feedback to employees blocks productivity levels from reaching the company's expectations of deliverables. This stalls the organization from achieving its strategic goals.

Question #7: Were you satisfied with the company's merit review process?

The mean was 4.33 and standard deviation was 4.71.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	No	3	16	4	7.67
R2	Yes	0	3	0	1.00

Table 30: Question 7 Grouping Analysis

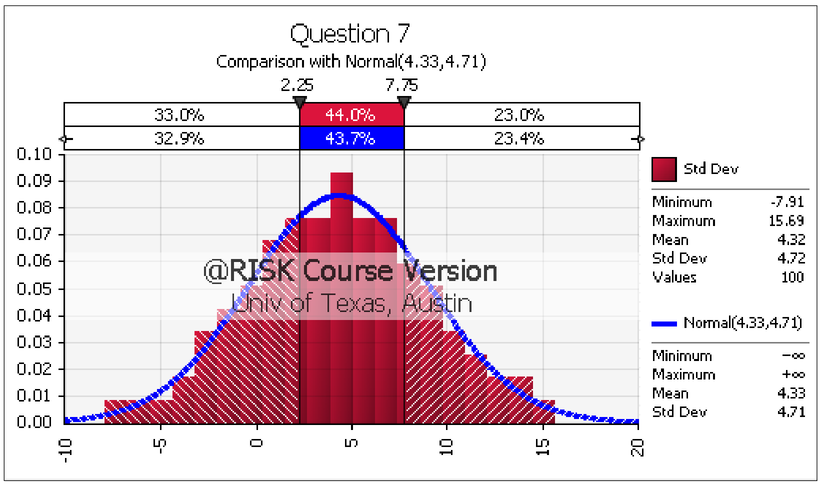

Figure 21: Question 7 Response Distribution

<u>Observations:</u> Highest impact responses were between 2.25 and 7.75; R1. Overall, 88% of departed employees were not satisfied with the company's merit review process. Some specific responses identified the lack of merit review process as well as the erosion of the process over time. The lack of this practice is due to management's removal from the employees' habitual work activities and performance. A deficient or non-existent merit review process induces lower productivity levels and impedes the organization's ability to create the capabilities needed to achieve its strategic goals.

Question #8: Did the company help you fulfill your professional career goals?

The mean was 2.89 and standard deviation was 2.17.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Somewhat	0	1	1	0.67
R2	No	2	6	1	3.00
R3	Yes	1	11	3	5.00

Table 31: Question 8 Grouping Analysis

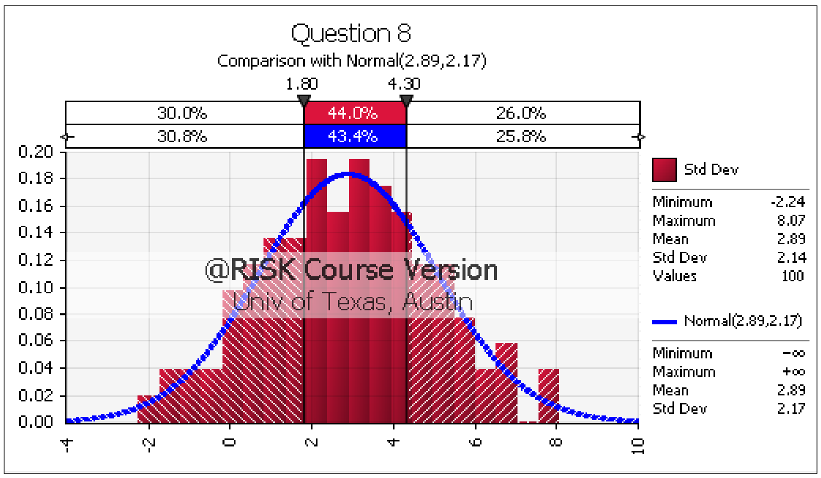

Figure 22: Question 8 Response Distribution

<u>Observations:</u> Highest impact responses were between 1.80 and 4.30; R2. Overall, 35% of all departed employees did not believe the company helped them achieve their individual professional goals. Unsatisfactory responses were grouped into one category talent management. Employee advancement is a major factor in employee satisfaction. They do not like to stall in a position knowing there are no possibilities to move up the latter where their skills can be better utilized.

Question #9: What could the company do to make it a better workplace?

The mean was 2.89 and standard deviation was 2.17.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Modify existing mission statement (more clear)	0	0	1	0.33
R2	Regain small-company mentality	0	1	0	0.33
R3	Increase workforce morale	0	1	0	0.33
R4	Focus on employees	0	1	0	0.33
R5	Implement a retention strategy	0	1	0	0.33
R6	Acknowledge the problems	1	0	0	0.33
R7	Provide feedback to employees	1	0	0	0.33
R8	Invest in employees	1	0	0	0.33
R9	Provide training, growth and advancement opportunities	0	1	0	0.33
R10	Implement team-building activities	0	1	0	0.33
R11	Change senior management	0	1	0	0.33
R12	Change location	1	0	0	0.33
R13	Implement a clear organizational structure with management positions	0	2	0	0.67
R14	Receive employee opinions	0	1	1	0.67
R15	Implement an incentive, reward program	0	2	0	0.67
R16	Hire resources (experienced) to be able to complete the work on time and decrease over-work	0	2	0	0.67
R17	Provide tools and supplies needed for the job	0	1	1	0.67
R18	Create fun office activities	0	2	0	0.67
R19	Increase interdepartmental communication	0	2	0	0.67
R20	No comment	0	2	0	0.67
R21	Value and appreciate employees	0	3	0	1.00
R22	Remove micromanagement practices, give employees the ability to make decisions	0	2	2	1.33
R23	Increase "top-down" communication	1	3	0	1.33
R24	Trust and believe in employees, more autonomy	1	0	4	1.67
R25	Increase salaries and benefits, more competitive	4	2	1	2.33

Table 32: Question 9 Grouping Analysis

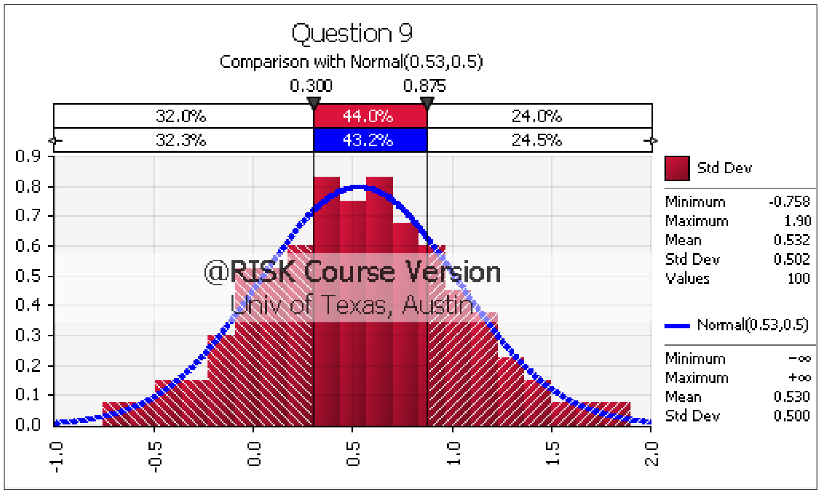

Figure 23: Question 9 Response Distribution

<u>Observations:</u> Highest impact responses were between 0.30 and 0.875; R1 to R20. Responses were grouped into the following three categories: Organization structure, Talent Management and Compensation. Organization structure represents the foundation to job responsibilities and organizational ladder, such as *"Implement a clear organizational structure with management positions"*. Talent management objective is to utilize employees in a manner that maximizes company performance; however, when the resources do not exist in the organization, they must be acquired to fill in the gaps; such as *"Hire experienced resources to be able to complete the work in time"*. Compensation for the work performed and as an incentive to employees is an effective motivator; such as *"Implement an incentive/reward program"*.

Question #10: Were you happy with your salary, benefits and other incentives? The mean was 2.33 and standard deviation was 2.33.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	No bonus, incentives to perform	0	2	0	0.67
R2	Never received a raise	0	4	0	1.33
R3	Medical and dental were too expensive	0	3	1	1.33
R4	Benefits were eroding	0	5	0	1.67
R5	Yes	0	4	2	2.00
R6	No salary structure and below industry average	3	13	5	7.00

Table 33: Question 10 Grouping Analysis

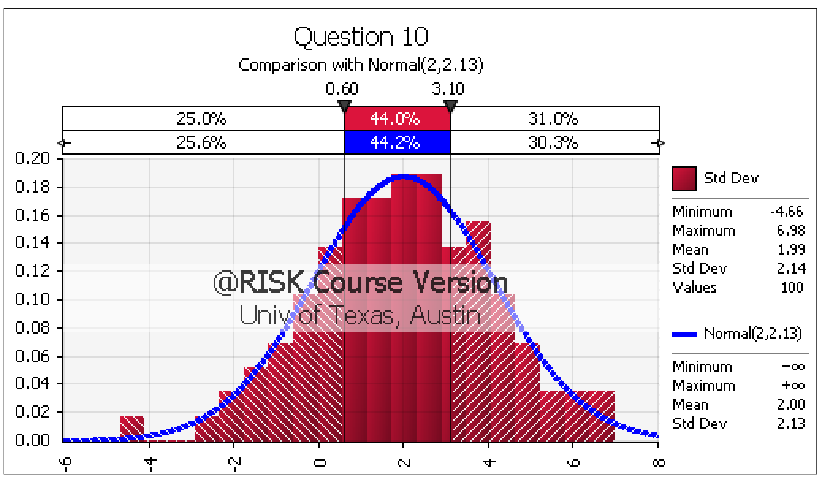

Figure 24: Question 10 Response Distribution

<u>Observations:</u> Highest impact responses were between 0.60 and 3.10; R1 to R5. 71% out of the five identified as the critical responses represent negative employee perceptions in regards to salary, benefits and incentives. In this case, R6 also represents negative perceptions. Conjunctively, 86% of the departed employees were unsatisfied

with their salary, benefits and incentives. Responses were grouped in the following categories: organizational culture values of recognition and trust. Pay is a push factor that reflects recognition of performance. Greater dissatisfaction surfaces when pay distribution is unfair or not based on a performance structure. Disengagement and departure are the employees' ways to cope with unmet values. This results in decreased productivity and decreased capabilities; and ultimately affecting company performance.

Question #11: What was the quality of the supervision you received?

The mean was 2.33 and the standard deviation was 1.87.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Senior management, poor	1	0	1	0.67
R2	Senior management, satisfactory	0	0	5	1.67
R3	Immediate supervisor, unsatisfactory	0	6	0	2.00
R4	Immediate supervisor, satisfactory	3	12	0	5.00

Table 34: Question 11 Grouping Analysis

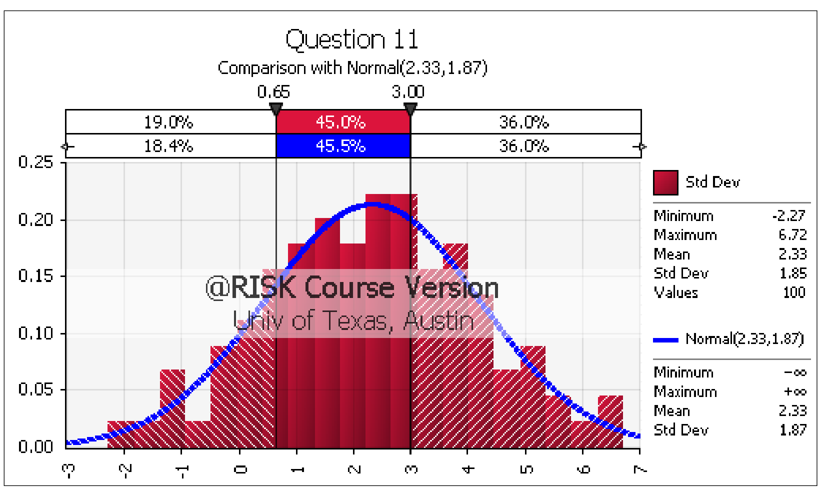

Figure 25: Question 11 Response Distribution

Observation: Highest impact responses were between 0.65 and 3.00; R1 to R3. Results were grouped into one organizational culture value category; competency. 15% of departed employees perceived senior management's supervision to be poor and 46% of departed employees perceived their immediate manager's supervision to be poor.

Question #12: What could your immediate supervisor do to improve his or her management style?

The mean was 0.79 and the standard deviation was 0.73.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Create a collaborative environment	0	0	1	0.33
R2	Show more appreciation for hard work	0	1	0	0.33
R3	Be more personable and understanding	0	1	0	0.33
R4	Establish a mentorship program	0	1	0	0.33
R5	Increase technical expertise	0	1	0	0.33
R6	Replace immediate manager	0	1	0	0.33
R7	Senior management does not make an effort to address issues	1	0	1	0.67
R8	Unsure	0	2	0	0.67
R9	Make more decisions (senior management micromanagement)	0	3	1	1.33
R10	Be more available	1	2	1	1.33
R11	Nothing, it was excellent	1	6	1	2.67

Table 35: Question 12 Grouping Analysis

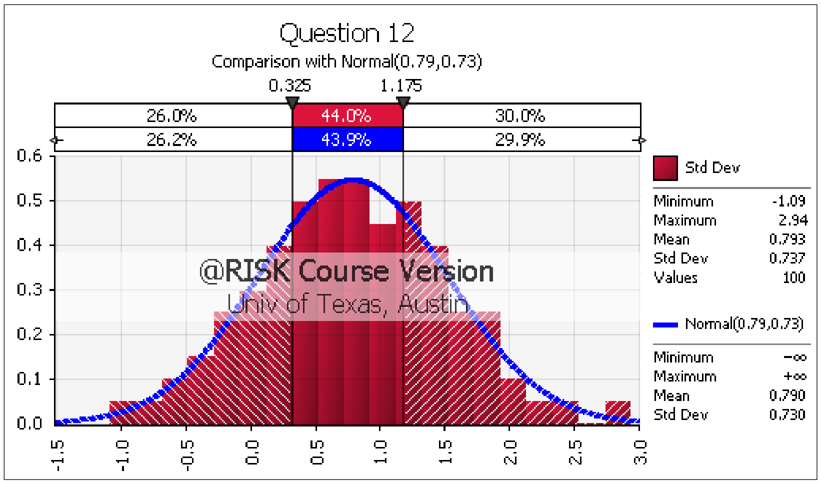

Figure 26: Question 12 Response Distribution

Observations: Highest impact responses were between 0.325 and 1.175; R1 to R10. Results were grouped into two organizational culture categories; competency and trust. Competency measures the capability of managers to lead a team by sharing tacit knowledge with his or her employees; such as *"Increase technical expertise"*. Trust measures employee expectations from managers in regards to personal and professional matters, such as *"senior management does not make an effort to address issues"*.

Question #13: Based on your experience with us, what do you think it takes to succeed at this company?

The mean was 0.49 and the standard deviation was 0.27.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Do not have morals	1	0	0	0.33
R2	Do your job well	1	0	0	0.33
R3	Not make mistakes	1	0	0	0.33
R4	Work without direction	1	0	0	0.33
R5	Show initiative	0	1	0	0.33
R6	Ability to learn quickly and figure out things from scratch, no supervision or help	0	1	0	0.33
R7	Work hard to achieve goals	0	1	0	0.33
R8	Have good problem solving skills	0	1	0	0.33
R9	Not care about salary	0	1	0	0.33
R10	Have a PE license	0	1	0	0.33
R11	Be younger	0	0	1	0.33
R12	Dedication and hard work	0	1	0	0.33
R13	Be diverse in what you are willing to work on	0	1	0	0.33
R14	Be a team player	0	1	0	0.33
R15	Share knowledge with others	0	1	0	0.33
R16	Have a good attitude	0	1	0	0.33
R17	Nobody can succeed here	0	1	0	0.33
R18	Unsure	0	0	1	0.33
R19	Do not have a voice or opinions	1	0	1	0.67
R20	Have an engineering degree	0	1	1	0.67
R21	Patience	0	1	1	0.67
R22	Determination	0	1	1	0.67
R23	Flexibility to do what the job requires	0	2	0	0.67
R24	Be liked by ownership or be a favorite, get noticed	0	2	1	1.00
R25	Willingness to work 50+ hours a week	0	2	1	1.00
R26	Have drive, being self-sufficient, and self-starter	0	4	0	1.33

Table 36: Question 13 Grouping Analysis

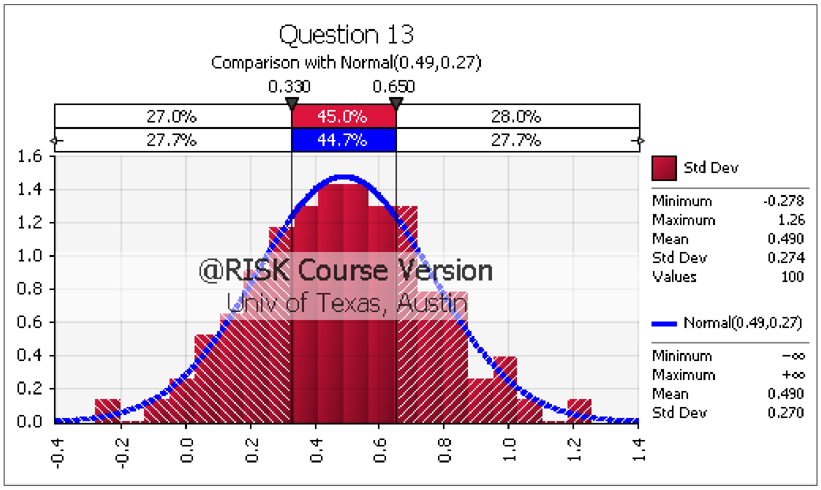

Figure 27: Question 13 Response Distribution

Observations: Highest impact responses were between 0.33 and 0.65; R1 to R18. Results were grouped into one category: Talent creation. Talent creation involves managers' ability to impart tacit knowledge to employees. It can also be presented by budgeting for activities and training programs that promote employee growth and advancement. Talent creation was presented as lack of growth and advancement, such as *"Ability to learn quickly and figure out things from scratch with no supervision or help."*

Question #14: Would you consider working again for this company in the future?

The mean was 2.89 and the standard deviation was 1.17

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Maybe	1	2	2	1.67
R2	Yes	0	8	1	3.00
R3	No	2	8	2	4.00

Table 37: Question 14 Grouping Analysis

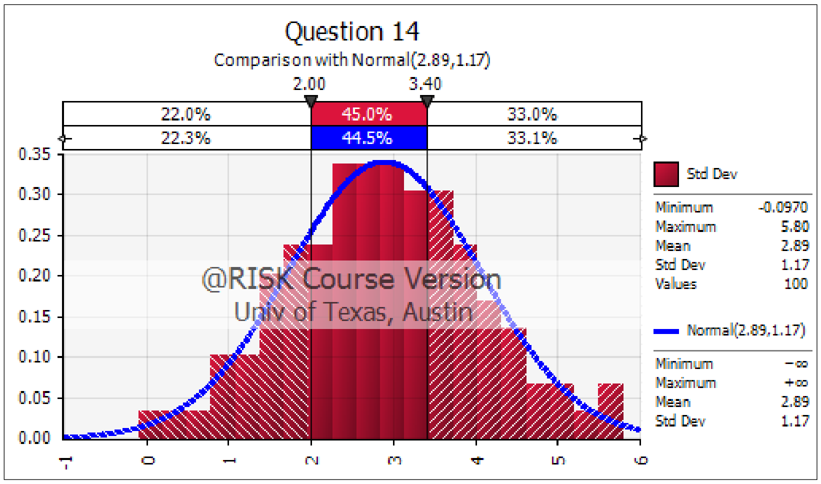

Figure 28: Question 14 Response Distribution

<u>Observations:</u> Highest impact responses were between 2.00 and 3.40; R2. The result was measured as a consequence of mismanagement in the categories of human capital and organizational culture. Disengagement and departure consequences reflect the "employer brand" perceived by employees. Efficient management of these categories has a direct effect on costs incurred by an organization. After all, it doesn't matter how much is spent in advertising to be seen as the employer-of-choice if the "employer brand" is negative. It makes it harder to attract talent and incurs greater costs in the talent attraction/acquisition process.

Question #15: Would you recommend working for this company to your family and friends?

The mean was 3.00 and the standard deviation was 2.19.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	Maybe	1	0	2	1.00
R2	Yes	0	8	0	2.67
R3	No	2	10	4	5.33

Table 38: Question 15 Response Analysis

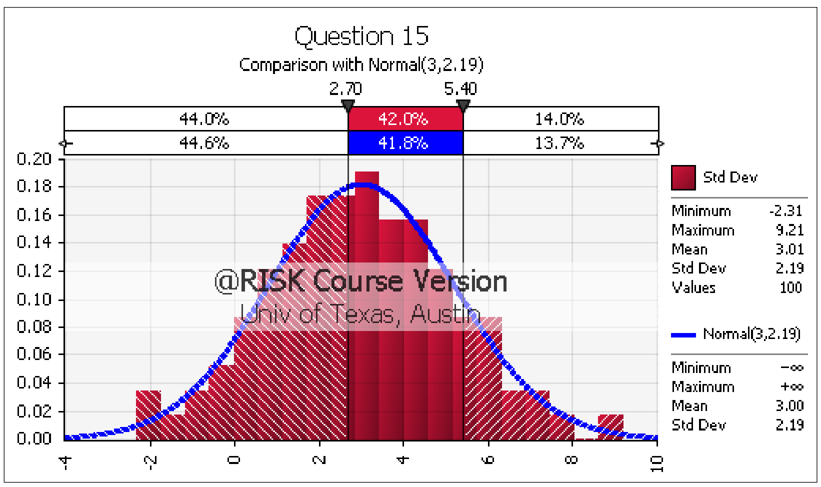

Figure 29: Question 15 Response Distribution

<u>Observations:</u> Highest impact responses were between 2.70 and 5.40; R3. The result was measured as a consequence of mismanagement in the categories of human capital and organizational culture; “Word of Mouth”. 59% of respondents would not recommend working for EFC to family or friends. As mentioned in question 14, efficient management of human capital and organizational culture leads to positive employee perceptions. When these are clouded by negative incidents, talent attraction and acquisition costs are increased. After all, “talent attracts talent”. Therefore, it is in the

organization's interest to keep talent happy to facilitate the acquisition process and aid company capabilities.

Question #16: What does your new company offer that this company doesn't?

The mean was 1.33 and the standard deviation was 1.61.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	More interesting work	0	1	0	0.33
R2	More projects	0	1	0	0.33
R3	Pensions	1	0	0	0.33
R4	Project ownership and job responsibilities	0	1	0	0.33
R5	Performance evaluations	0	1	0	0.33
R6	Structure, processes and procedures	0	0	1	0.33
R7	International travel	0	1	0	0.33
R8	Better office location	0	1	0	0.33
R9	Flexibility and autonomy	0	0	2	0.67
R10	Bonus and incentive rewards	0	2	1	1.00
R11	Training and development	0	3	0	1.00
R12	Job security	1	1	1	1.00
R13	Immediate supervisor, direction and support	0	3	0	1.00
R14	More room for creativity	0	2	1	1.00
R15	Not applicable (did not leave for another job)	1	1	1	1.00
R16	Trust, respect and appreciation	0	3	2	1.67
R17	Positive and professional working environment	0	6	1	2.33
R18	Increase benefits package (Vacation, sick days and health insurance)	2	7	0	3.00
R19	Growth and advancement opportunities	0	9	1	3.33
R20	Increased salary (includes overtime compensation)	2	16	3	7.00

Table 39: Question 16 Grouping Analysis

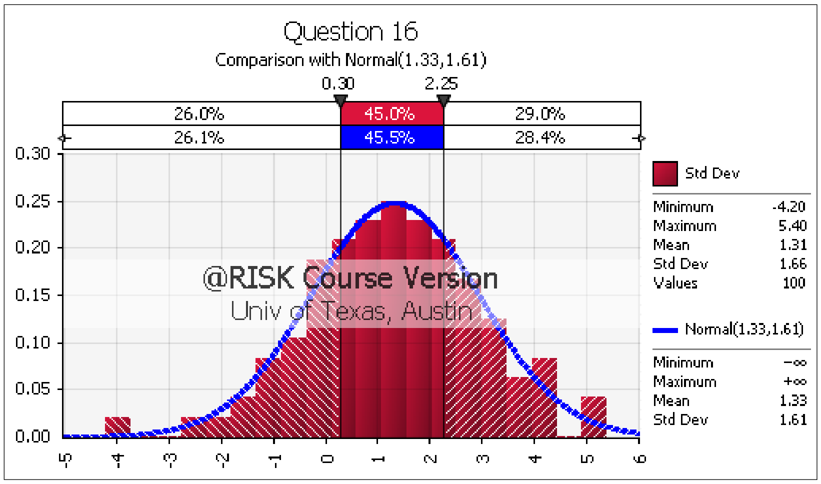

Figure 30: Question 16 Response Distribution

Observations: Highest impact responses were between 0.30 and 2.25; R1 to R16. The results obtained are industry standards provided to employees. They should be considered as recommendations for senior management to address and increase engagement and productivity in the workforce. Results were grouped into three categories: Talent creation – “*training and development*”, Talent management – “*project ownership and more responsibilities*”, and Miscellaneous – “*structure, processes and procedures*”.

Question #17: Can this company do anything to encourage you to stay?

The mean was 4.33 and the standard deviation was 5.66.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	No	3	17	5	8.33
R2	Maybe; substantial increase in pay	0	1	0	0.33

Table 40: Question 17 Grouping Analysis

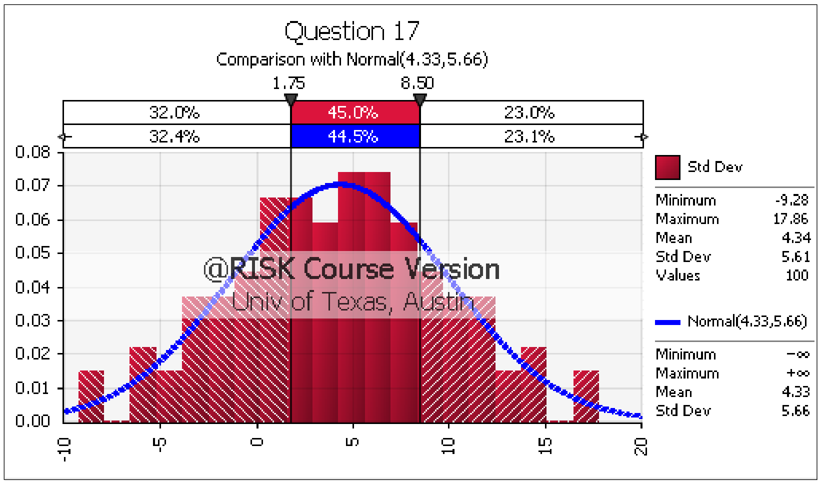

Figure 31: Question 17 Response Distribution

<u>Observations:</u> Highest impact responses were between 1.75 and 8.5; R1. Overall, 96% of departing employees would not consider staying at EFC regardless if the working conditions were to change or their requests were addressed by senior management and 4% of departed employees would consider staying at EFC if the salary issue were addressed. Responses were grouped into one category; talent management and the four organizational culture values.

Question #18: Before deciding to leave, did you investigate a transfer within the company?

The mean was 4.33 and the standard deviation was 4.24.

		Grouping			Overall Average
	Factors	**Clerical**	**Professional**	**Executive**	
R1	No	2	16	4	7.33
R2	Yes	1	2	1	1.33

Table 41: Question 18 Grouping Analysis

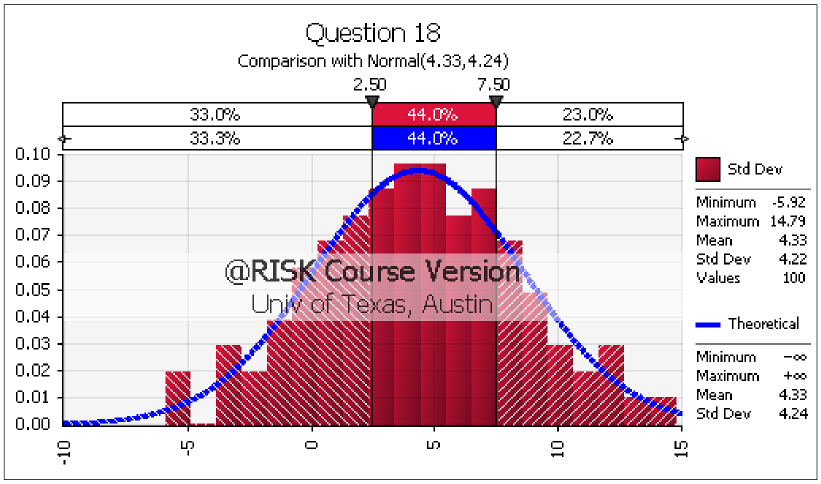

Figure 32: Question 18 Response Distribution

<u>Observations:</u> Highest impact responses were between 2.5 and 7.5; R1. Overall, 85% of departing employees did not investigate a transfer within the company. Results were grouped into two categories: Talent management and talent acquisition. Talent management practices are inclined to create talent within the organization and after investing in it, keeping it there. A defined organizational structure can prompt employee interest in other positions within the organization. Talent acquisition costs are reduced when a "hire-from-within" policy is implemented. Orientation time, direct supervisor's time, training time, morale degradation and more indirect costs are reduced.

MEASURING CHANGE AND PROCESS EFFECTIVENESS

> *"Conduct regular "morale audit" surveys to keep your finger on the pulse of the employees' attitudes. If you show you are paying enough attention and are willing to resolve them, you will purchase a higher degree of commitment from your employees."* (Branham, Keeping the people who keep you in business, 2000)

Implementing the combined methodologies presented in this study is not a one-step action process. Measuring change requires constant monitoring, measuring and accountability of senior management to be effective. Additionally, before recommendations are implemented, a measurement process must be in place to benchmark and track progress.

Measuring culture adaptation and change is challenging. It requires follow-up and accountability from senior management. The first step is to specify short and measurable time frames to ensure that the actions are leading to the goal the company wants to reach. It requires measuring turnover costs and comparing results between the specified time frames. It also requires measuring turnover triggers.

Equations 1 through 6 in this study provide a step-by-step quantitative approach to calculating *direct* turnover costs. Studying turnover triggers requires a combination of qualitative and quantitative approaches. Steps include implementing an initial survey to a "set" of departing or existing employees to uncover dissatisfaction and turnover triggers. Surveys implemented thereafter are to be compared against the previous survey results. In both instances, senior management must identify the critical and most influential factors that impact turnover. The identified factors are the ones that need to be measured. Responses are quantified per occurrences and overall averages are obtained. The process follows with determining the mean and standard deviation of responses and testimonials. An increase on the standard deviation in relation to the sample will represent a more diverse trend of responses; meaning that the implemented changes have produced effective results. However, when the standard deviation clusters close to the overall mean of the sample means other significant triggers being identified. This leads back to step 1.

A FEW SHORT-TERM RECOMMENDATIONS…

Survey results yield to similar responses and testimonials. Responses are based on culture values and human capital management practices that cripple company capabilities and consequently prevents it from reaching positive financial results. The highest impact factors were:

- Dissatisfaction due to lack of "top-down" communication
- Dissatisfaction with compensation, annual raises, process
- Feelings of being over-worked; employee burn-out
- Employee-job mismatch
- Lack of training, growth and advancement opportunities
- Lack of immediate management, oversight
- Excessive micromanagement

The following short-term recommendations, if applied independently, target the highest impact factors identified above. It partially addresses *some* problems and neglects the other high impact factors. Chapter 5 provides a long-term recommendation and employee retention strategy that addresses all the high impact factors yielding from the exit survey results. The 7 short term recommendations and addressed triggers are the following and further described in detail.

- *Communicate Clearly with Employees* addresses "Top-down" Communication
- *Be Competitive in Regards to Salary* addresses Dissatisfaction with Compensation, Annual Raises and Process

- *Beware of Employee Burnout; Manage Talent Effectively* addresses Feelings of being overworked; Employee Burnout
- *Screen for Employee-Job Fit* addresses Employee-Job Mismatch
- *Invest in Employee Growth* addresses Lack of Training and Growth Opportunities
- *Create Advancement Opportunities* by Modifying Hiring practices addresses Lack of Advancement Opportunities
- *Do Not Limit Training to Employees; Managers Need it Too!* addresses Lack of Immediate Management, Oversight and Excessive Micromanagement Practices

Communicate Clearly with Employees

Communication from senior management to employees ("top-down") involves the transmission of important information to a workforce. This practice reinforces trust values from employees to leaders in an organization.

There are several benefits to effectively exercising this practice. First, employing "top-down" communication about the company's mission, vision and objective goals aligns employee performance with the company's goals. Effective and clear communication establishes a "finish line" which employees feel compelled to reach as opposed to working without a specific goal in mind. Second, updating employees' on a frequent basis on results and on how customers benefit from their individual and team contributions increases employee buy-in and engagement. It is rewarding and engaging for employees to hear how their jobs are vital for the organization's success. It makes them feel like valuable contributors. And third, sharing information with employees prevents them from creating their own. It reduces ambiguity in the practices and replaces rumors with facts. The most important trend in this practice is that honest and constant "top-down" communication aligns employees' performance with the organizational goals. It makes them feel valuable contributors and engaged to achieve positive financial goals.

Be Competitive in Regards to Salary

Competitive salaries in combination with other retention strategies are a “pull” factor for employees. When competitive salaries and other engagement practices are offered in an organization, other appealing options might not seem so appealing or worth the effort for employees to pursue. Fairness and competitiveness with the position and job performed is one of the most influential motivators for employees. This practice reinforces trust and recognition values in a culture; trust that senior management believes that their job is a valuable contribution for success, and recognition that the job performed leads to higher financial returns.

There are several benefits to exercising this practice. First, fairness and recognition are perceived when employees’ performance is evaluated and attached to a salary raise. In turn, this keeps salaries at market level for the job performed and responsibilities undertaken by employees. Second, fairness and trust are perceived when employees’ in similar positions make comparable salaries. Although pay is high in rank for employee engagement, money alone is not a big contributor to retain top performers. If employees’ believe they are not being paid fairly for what their contribution, disengagement is most likely to occur. Disengagement leads to less effort put in by employees to enhance capabilities and achieve the company’s financial goals.

> *“If you implement other key retention practices, you should not have to pay more than the competition.”* (Branham, Keeping the people who keep you in business, 2000)

Beware of Employee Burnout; Manage Talent Effectively

Burnout is the result of overwork and occurs when employees become drained of their physical and emotional capacity. It is a consequence of continuous and prolonged stress. The need to meet project deadlines with scarce [experienced] resources is the main cause for burnout. It can be manifested through abrupt irritability, anger and increased absenteeism. Addressing burnout as part of habitual business practices and culture reinforces talent acquisition and talent management levers. First, by maximizing utilization of resources based on expertise, experience and skill sets can reduce employee burnout. Second, proven hiring practices that seek to minimize skill gaps can provide employees with the necessary [experienced] resources to meet tight deadlines and increase the quality of their work. And third, implementing a work-life balance culture to reach higher levels of productivity and employee achievement meets both company and employee needs.

There are several benefits to effectively managing talent to reduce burnout and feelings of being overworked. First, addressing over-work conditions increase employee motivation by letting employees know that senior management is committed to providing gratifying working conditions. Second, it reduces healthcare expenditures, possible unsafe and hostile working conditions and absenteeism. Third, quality of work increases alongside productivity. Efficiently implementing work-life balance practices ceases cynical employee attitudes from spreading among a workforce, increases productivity and decreases rework, and preserves customer service quality; all of which induce costs that affect company performance.

Screening for Employee-Job Fit

Employee-job fit represents the alignment of employee needs and interests with the job skills required to maximize talent management. It is a consequence of several factors; managements rush to fill a position, talent acquisition process is not based on actual job requirements, human resources and/or hiring manager do not have the necessary training on reliable and valid interviewing techniques. Employee-job mismatch is reflected through the employees' feeling of being underutilized and turnover. Addressing employee-job fit practices reinforces the talent acquisition lever.

Implementing a talent acquisition screening process that measures and validates the skills and attitudes required increases employee satisfaction on the job and higher employee productivity.

There are several benefits to addressing employee-job fit as a hiring practice. First, costs for unnecessary training are reduced. Second, exercising this practice to identify if the person has the ability to do the job cumulatively reduces *direct* and indirect turnover costs. Third, there is no confusion on what the company and the employee are mutually agreeing to, “psychological contract”. Efficiently recruiting people with the right skills that fill in the gaps of the organization’s capabilities reduces customer service disruption and increases financial performance.

Invest in Employee Growth

Training and employee growth emphasize the value that employees bring into a business. This practice reinforces talent creation and recognition factors. Talent creation gives the employees the skills they need to achieve the organization’s financial goals. Investing in training and growth opportunities is perceived by employees as recognition by telling them they are valued contributors.

There are several benefits to implementing employee growth practices in a business. First, by providing employees with the training they need to perform their job gives them the skills they need to achieve the organization’s financial objectives. Second, training keeps up with change. Change is very important, especially in technology, medical and other related fields; change is inevitable. Investing in training provides employees with constant skill up-keep to increase value in their positions and be competitive in a constantly changing market. People want to feel useful and that they make a difference. Neglecting change as an imperative factor to be competitive only drives you out of business faster. Therefore, senior management needs to determine their business objectives to construct the skills required to develop the capabilities needed to achieve financial success.

Create Advancement Opportunities by Modifying Hiring Practices

Advancement opportunities are often inside the same organization. It is usually the first place loyal employees' look to for change. Employees do not like to feel like they are caught in a position without opportunities to advance. When monotony and stalling in a position is perceived, employees begin to disengage. To increase employee-job satisfaction, the job must provide a "rich" assortment of skills and also provide challenges to make employees' feel more involved and satisfied. Moreover; when advancement comes to a halt, employees start to look for other more fulfilling opportunities. In order to keep the best within the workforce, a business can implement a "Hire from within" policy. This practice reinforces talent management. Talent management is the process by which employees are best utilized based on their skills, needs and wants within an organization to increase value in alignment with business financial objectives.

There are several benefits to implementing this practice. First and foremost, this practice maximizes the already made employee investments by keeping the best within the workforce. It reduces external recruiting costs, new-hire on-boarding, co-workers and managers time and efforts, new-hire training and management overhead costs. Second, it shows the employees how the company is committed to providing advancement opportunities in order to increase engagement and strive to reach company goals. Third, it reaffirms to employees that they are valuable contributors for the organization's success and serves as a reward for their achievements. This policy is a "money-saver" strategy that boosts positive employee perceptions of the organization and is reflected by employees working harder to achieve company financial goals.

Do Not Limit Training to Employees; Managers Need it Too!

Improving the skills of immediate managers to be more involved, give more support and impart knowledge to their teams requires leadership skills. Appointing managers with the technical skills and creativity to manage and develop a workforce increases employee engagement. If managers lack the knowledge and skills to direct a team, training should be provided to enhance those skill gaps. This practice reinforces competency and trust feelings from employees to immediate managers. Immediate managers with the technical, coaching and leadership skills build a perception of competency in regards to the job they perform and the department they manage. Trust is built when employees and managers see “face-to-face” on opinions, recommendations and actions of the job.

There are several benefits to implementing this practice. First, trained and knowledgeable managers are more successful in imparting knowledge and mentoring individuals based on their needs. Second, they tend to set more realistic expectations in regards to performance and deliverable requirements. Third, they are capable of identifying and correcting person-job mismatches, enhancing their talent management practices. They are more successful in the implementation of realistic performance planning. And four, managers who effectively manage their team foster a trusting environment; therefore, reducing micromanagement in operations and decision-making. Trained and capable immediate managers impart knowledge, identify skill gaps in employees’ capabilities, and identify where talent would be best utilized. This is done in accordance with the capabilities needed to reach the company’s financial goals.

CHAPTER 5

Actionable Long-Term Recommendations

Developing a clear and objective strategy that targets human capital and organizational culture values is critical for success. Good management practices of these two components benefits the organization by having an improved and highly productive workforce, increased business capabilities, lower turnover costs and high profitability. The employee retention strategy provided emphasizes the importance of a talented workforce and provides specific actionable items to improve human capital management and organizational culture.

The exit surveys showed that EFC employees displayed a high level of disengagement due to four main factors. First, management practices including lack of “top-down” communication, fairness, motivation, employee-job mismatch and constructive criticism. Second, professional development practices including lack of training, growth and advancement opportunities. Third, compensation policies including, low salary, raises and incentives. Fourth and last, benefit packages including lack of affordable health insurance, reduction in vacation time and holidays.

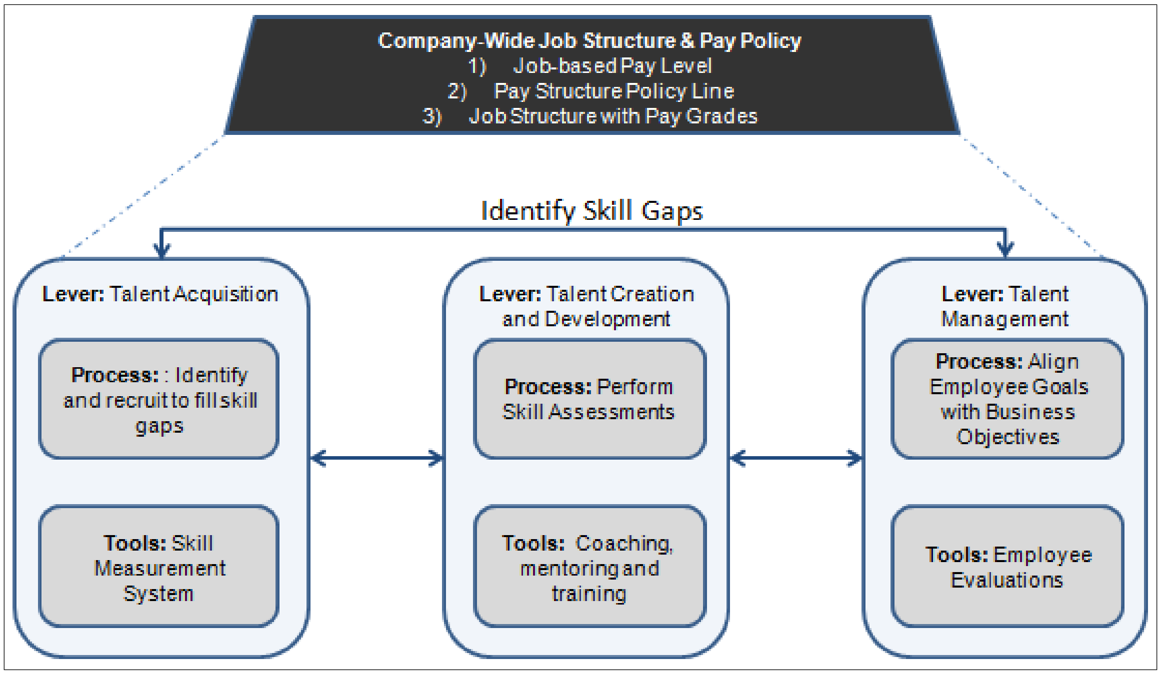

Figure 33: The Human Capital Lever Retention Model

The employee retention strategy is composed of a company-wide job structure and pay policy built on the three human capital levers; talent acquisition, talent creation and talent management. The company-wide job structure and pay policy (Lewis K. , Retention and Job Satisfaction, 2010) is a system designed to determine job-based pay levels, pay structure and linkage to job structures with pay grades. The purpose of this system is to address issues of fairness in compensation practices as part of the organizational culture. It lists and links every position in the company and demonstrates career progression. The structure and pay policy begins by determining job-based pay levels in the organization by comparing to market pay of each position in the organization. It is followed by defining a pay structure policy line. The pay policy line is traced across all jobs in the organization. Each job is evaluated in terms of compensable factor scores such as know-how, problem solving and complexity. The sum of these factors is then traced to a monthly salary grade. Finally, management must determine a job structure with pay grades. Each position is assigned a minimum and maximum pay grade allowing employees to be evaluated for a promotion to the next job in the structure. Based on survey findings, EFC's employee compensation lacks structure in regards to position or job responsibilities and is lower than industry averages. After creating a company-wide job structure and pay policy, management can switch focus to the three human capital levers that create a culture that encompasses all four employee fundamental needs.

The first lever addressed is talent acquisition. Talent acquisition is the process of recruiting and hiring employees with the required skills and abilities to fill key gaps of business capabilities [mission]. In order to effectively design a talent acquisition process, the company must first determine what the critical competencies of the business are and screen recruits through a skill measurement system to determine if they fulfill the skill gaps in the organization. A skill measurement system compares the recruits' skill-sets with the skill metrics required for the job. By properly screening recruits in this process decreases the probability of employee-job mismatch.

The second lever addressed is talent creation. Talent creation is the process of developing talent in array with business capabilities [mission]. It develops employees' key competencies in their current roles. Skill assessments are management practices that conclude which employees need training and development and which skills require attention and development. Periodically exercising skill assessments yield to identifying skill gaps within a workforce. It also provides data regarding the type and depth of the training required to fill in the skill gaps. Training, coaching and mentoring must be assessed pre- and post- to obtain the level of effectiveness. Three important benefits about talent creation are; by accurately identifying who and what training is required helps avoid unnecessary training costs, it develops key business competencies in alignment with business goals, and it promotes employee engagement and recognition by providing growth and advancement opportunities.

The third lever addressed is talent management. Talent management focuses on maximizing quality and productivity by properly aligning employee goals with business goals. Employee goals are reflected through their needs, interests and skills. Business goals are reflected through a clear and objective mission and capabilities needed to reach that goal. Alignment of employee goals and business goals enhances performance and maximizes productivity. Employee performance evaluations unearth a multitude of factors including employee interests, needs and skills. Scoring these factors to measure alignment with business objectives delineates the skill gaps that can be filled through the talent creation process or validate the talent acquisition process. Based on survey findings, EFC lacks a management structure and does not provide satisfactory supervision and mentoring from immediate managers. Perceptions of oversight are reflected through lack of trust from employees to managers and vice versa, increasing micromanagement in employee decision-making. Unremitting talent management practices decreases employee perception of oversight and maximizes employee productivity.

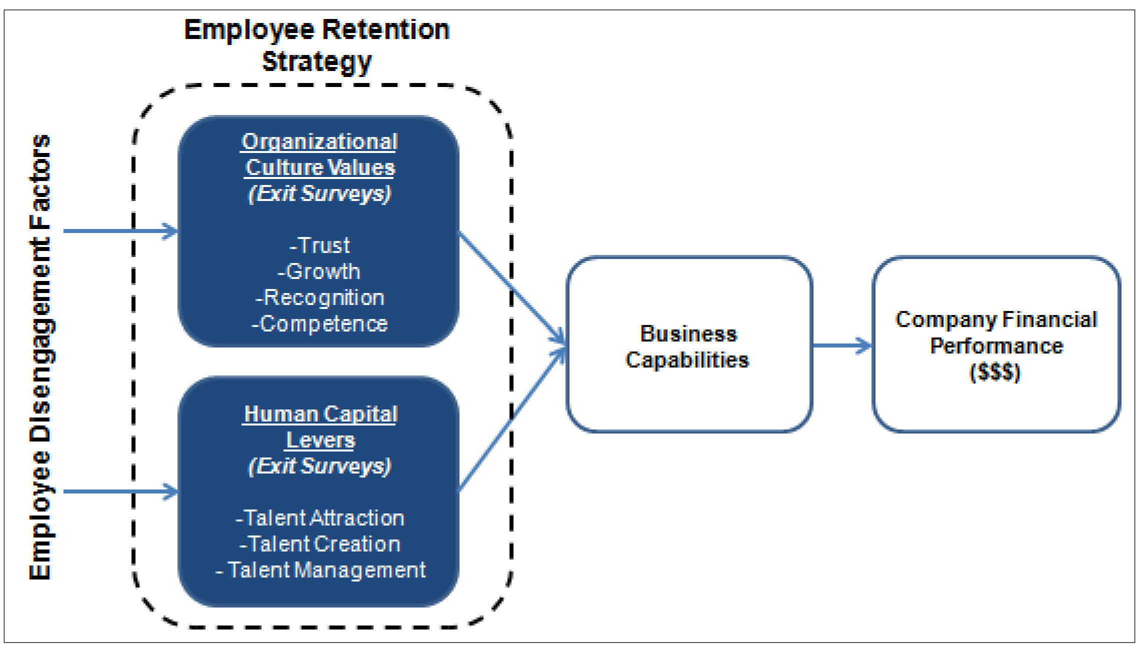

Figure 34: Actionable Long-Term Retention Strategy

EFC must acknowledge the importance of human capital levers and organizational culture values to accomplish their strategic goals of financial growth. Figure 34 outlines how the employee retention strategy addresses employee disengagement factors at EFC by effectively managing human capital levers and organizational culture values to create business capabilities and reach their financial goal. Lastly, EFC should recognize the need to strategically manage talent by consistently developing it in array with the business goals as they change through time. This retention strategy, as a whole, addresses the three human capital levers and promotes organizational culture values throughout the employees' lifetime in the organization.

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Vita

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